



# भारत का राजपत्र

## The Gazette of India

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इस भाग में भिन्न पृष्ठ संख्या वाली जाती है जिससे कि यह अलग संकलन  
के लिए इस जाती है।

Separate paging is given to this Part in order that it may be filed  
as a separate compilation

### LOK SABHA

The following Bill was introduced in Lok Sabha on the 28th February, 1987:—

BILL NO. 14 OF 1987

*A Bill to give effect to the financial proposals of the Central Government  
for the financial year 1987-88*

Be it enacted by Parliament in the Thirty-eighth Year of the Republic  
of India as follows:—

### CHAPTER I

#### PRELIMINARY

1. (1) This Act may be called the Finance Act, 1987.

Short  
title and  
commencement.

(2) Save as otherwise provided in this Act, sections 2 to 93 shall be deemed to have come into force on the 1st day of April, 1987.

### CHAPTER II

#### RATES OF INCOME-TAX

2. (1) Subject to the provisions of sub-sections (2) and (3), for the assessment year commencing on the 1st day of April, 1987, income-tax shall be charged at the rates specified in Part I of the First Schedule.

Income-  
tax.

(2) In the cases to which Sub-Paragraph I or Sub-Paragraph II of Paragraph A of Part I of the First Schedule applies, where the assessee has, in the previous year, any net agricultural income exceeding six hundred rupees, in addition to total income, and the total income exceeds,—

(i) in a case to which the said Sub-Paragraph I applies, eighteen thousand rupees, and

(ii) in a case to which the said Sub-Paragraph II applies, twelve thousand rupees,

then,—

(a) the net agricultural income shall be taken into account, in the manner provided in clause (b) [that is to say, as if the net agricultural income were comprised in the total income after,—

(i) in a case to which the said Sub-Paragraph I applies, the first eighteen thousand rupees, and

(ii) in a case to which the said Sub-Paragraph II applies, the first twelve thousand rupees,

of the total income but without being liable to tax], only for the purpose of charging income-tax in respect of the total income; and

(b) the income-tax chargeable shall be calculated as follows:—

(i) the total income and the net agricultural income shall be aggregated and the amount of income-tax shall be determined in respect of the aggregate income at the rates specified in Sub-Paragraph I or, as the case may be, Sub-Paragraph II of the said Paragraph A, as if such aggregate income were the total income;

(ii) the net agricultural income shall be increased,—

(A) in a case to which the said Sub-Paragraph I applies, by a sum of eighteen thousand rupees; and

(B) in a case to which the said Sub-Paragraph II applies, by a sum of twelve thousand rupees,

and the amount of income-tax shall be determined in respect of the net agricultural income as so increased at the rates specified in Sub-Paragraph I or, as the case may be, Sub-Paragraph II of the said Paragraph A, as if the net agricultural income as so increased were the total income;

(iii) the amount of income-tax determined in accordance with sub-clause (i) shall be reduced by the amount of income-tax determined in accordance with sub-clause (ii) and the sum so arrived at shall be the income-tax in respect of the total income.

(3) In cases to which the provisions of Chapter XII or Chapter XII-A or sub-section (1A) of section 161 or section 164 or section 164A or section 167A of the Income-tax Act, 1961 (hereinafter referred to as the Income-tax Act) apply, the tax chargeable shall be determined as provided in that Chapter or that section, and with reference to the rates imposed by sub-section (7) or the rates as specified in that Chapter or section, as the case may be.

(4) In cases in which tax has to be deducted under sections 193, 194, 194A, 194B, 194BB, 194D, 194E and 195 of the Income-tax Act at the rates in force, the deduction shall be made at the rates specified in Part II of the First Schedule.

(5) Subject to the provisions of sub-section (6), in cases in which income-tax has to be calculated under the first proviso to sub-section (5) of section 132 of the Income-tax Act or charged under sub-section (4) of section 172 or sub-section (2) of section 174 or section 175 or sub-section (2) of section 176 of the said Act or deducted under section 192 of the said Act from income chargeable under the head "Salaries" or deducted under sub-section (9) of section 80E of the said Act from any payment referred to in the said sub-section (9) or in which the "advance tax" payable under Chapter XVII-C of the said Act has to be computed, at the rate or rates in force, such income-tax or, as the case may be, "advance tax" shall be so calculated, charged, deducted or computed at the rate or rates specified in Part III of the First Schedule:

Provided that in cases to which the provisions of Chapter XII or Chapter XII-A or sub-section (1A) of section 161 or section 164 or section 164A or section 167A of the Income-tax Act apply, "advance tax" shall be computed with reference to the rates imposed by this sub-section or the rates as specified in that Chapter or section, as the case may be.

(6) In the cases to which Sub-Paragraph I or Sub-Paragraph II of Paragraph A of Part III of the First Schedule applies, where the assessee has, in the previous year or, if by virtue of any provision of the Income-tax Act, income-tax is to be charged in respect of the income of a period other than the previous year, in such other period, any net agricultural income exceeding six hundred rupees, in addition to total income and the total income exceeds,—

(i) in a case to which the said Sub-Paragraph I applies, eighteen thousand rupees, and

(ii) in a case to which the said Sub-Paragraph II applies, twelve thousand rupees,

then, in calculating income-tax under the first proviso to sub-section (5) of section 132 of the Income-tax Act or in charging income-tax under sub-section (2) of section 174 or section 175 or sub-section (2) of section 176 of the said Act or in computing the "advance tax" payable under Chapter XVII-C of the said Act, at the rate or rates in force,—

(a) the net agricultural income shall be taken into account, in the manner provided in clause (b) [that is to say, as if the net agricultural income were comprised in the total income after,—

(i) in a case to which the said Sub-Paragraph I applies, the first eighteen thousand rupees, and

(ii) in a case to which the said Sub-Paragraph II applies, the first twelve thousand rupees,

of the total income but without being liable to tax], only for the purpose of calculating, charging or computing such income-tax

or, as the case may be, "advance tax" in respect of the total income; and

(b) such income-tax or, as the case may be, "advance tax" shall be so calculated, charged or computed as follows:—

(i) the total income and the net agricultural income shall be aggregated and the amount of income-tax or "advance tax" shall be determined in respect of the aggregate income at the rates specified in Sub-Paragraph I or, as the case may be, Sub-Paragraph II of the said Paragraph A, as if such aggregate income were the total income;

(ii) the net agricultural income shall be increased—

(A) in a case to which the said Sub-Paragraph I applies, by a sum of eighteen thousand rupees; and

(B) in a case to which the said Sub-Paragraph II applies, by a sum of twelve thousand rupees,

and the amount of income-tax or "advance tax" shall be determined in respect of the net agricultural income as so increased at the rates specified in the said Sub-Paragraph I or, as the case may be, the said Sub-Paragraph II, as if the net agricultural income as so increased were the total income;

(iii) the amount of income-tax or "advance tax" determined in accordance with sub-clause (i) shall be reduced by the amount of income-tax or, as the case may be, "advance tax" determined in accordance with sub-clause (ii) and the sum so arrived at shall be the income-tax or, as the case may be, "advance tax" in respect of the total income.

(7) For the purposes of this section and the First Schedule,—

(a) "company in which the public are substantially interested" means a company within the meaning of clause (18) of section 2 of the Income-tax Act, and includes a subsidiary of such company if the whole of the share capital of such subsidiary company has been held by the parent company or by its nominees throughout the previous year;

(b) "domestic company" means an Indian company, or any other company which, in respect of its income liable to income-tax under the Income-tax Act for the assessment year commencing on the 1st day of April, 1987, has made the prescribed arrangements for the declaration and payment within India of the dividends (including dividends on preference shares) payable out of such income in accordance with the provisions of section 194 of the Act;

(c) "insurance commission" means any remuneration or reward, whether by way of commission or otherwise, for soliciting or procuring insurance business (including business relating to the continuation, renewal or revival of policies of insurance);

(d) "investment company" means a company whose gross total income (as defined in section 80B of the Income-tax Act) consists mainly of income which is chargeable under the heads "Interest on

**securities", "Income from house property", "Capital gains" and "Income from other sources";**

(e) "net agricultural income", in relation to a person, means the total amount of agricultural income, from whatever source derived, of that person computed in accordance with the rules contained in Part IV of the First Schedule;

(f) "tax-free security" means any security of the Central Government issued or declared to be income-tax free, or any security of a State Government issued income-tax free, the income-tax whereon is payable by the State Government;

(g) "trading company" means a company whose business consists mainly in dealing in goods or merchandise manufactured, produced or processed by a person other than that company and whose income attributable to such business included in its gross total income (as defined in section 80B of the Income-tax Act) is not less than fifty-one per cent. of the amount of such gross total income;

(h) all other words and expressions used in this section or in the First Schedule but not defined in this sub-section and defined in the Income-tax Act shall have the meanings respectively assigned to them in that Act.

### CHAPTER III

#### DIRECT TAXES

##### *Income-tax*

###### 3. In section 2 of the Income-tax Act,—

(a) in clause (22), with effect from the 1st day of April, 1988,—

Amend.  
ment of  
section 2.

(i) in sub-clause (e), for the words "being a person who has a substantial interest in the company", the words and brackets "or to any concern in which such shareholder is a member or a partner and in which he has a substantial interest (hereafter in this clause referred to as the said concern)" shall be substituted;

(ii) in sub-clause (ii), after the words "a shareholder", the words "or the said concern" shall be inserted;

(iii) after *Explanation 2*, the following *Explanation* shall be inserted, namely:—

*'Explanation 3.—For the purposes of this clause,—*

(a) "concern" means a Hindu undivided family, or a firm or an association of persons or a body of individuals or a company;

(b) a person shall be deemed to have a substantial interest in a concern, other than a company, if he is, at any time during the previous year, beneficially entitled to not less than twenty per cent. of the income of such concern;';

(b) in clause (24), after sub-clause (ix), the following sub-clause shall be inserted with effect from the 1st day of April, 1988, namely:—

“(x) any sum received by the assessee from his employees as contributions to any provident fund or superannuation fund or any fund set up under the provisions of the Employees' State Insurance Act, 1948 or any other fund for the welfare of such employees;”;

(c) after clause (29), the following clauses shall be inserted with effect from the 1st day of April, 1988, namely:—

‘(29A) “long-term capital asset” means a capital asset which is not a short-term capital asset;

(29B) “long-term capital gain” means capital gain arising from the transfer of a long-term capital asset;’;

(d) after clause (36), the following clause shall be inserted, namely:—

‘(36A) “public sector company” means any corporation established by or under any Central, State or Provincial Act or a Government company as defined in section 617 of the Companies Act, 1956;’;

(e) in clause (42A), before the *Explanation*, the following proviso shall be inserted with effect from the 1st day of April, 1988, namely:—

‘Provided that in the case of a share held in a company, the provisions of this clause shall have effect as if for the words “thirty-six months”, the words “twelve months” had been substituted.’;

(f) after clause (42A), the following clause shall be inserted with effect from the 1st day of April, 1988, namely:—

‘(42B) “short-term capital gain” means capital gain arising from the transfer of a short-term capital asset;’;

(g) in clause (47), with effect from the 1st day of April, 1988,—

(i) in sub-clause (iv), the word “or” shall be inserted at the end;

(ii) after sub-clause (iv), the following sub-clauses and *Explanation* shall be inserted, namely:—

‘(v) any transaction involving the allowing of the possession of any immovable property to be taken or retained in part performance of a contract of the nature referred to in section 53A of the Transfer of Property Act, 1882; or

(vi) any transaction (whether by way of becoming a member of, or acquiring shares in, a co-operative society, company or other association of persons or by way of any agreement or any arrangement or in any other manner whatsoever) which has the effect of transferring, or enabling the enjoyment of, any immovable property.

34 of 1948.

1 of 1956.

4 of 1882.

*Explanation.*—For the purposes of sub-clauses (v) and (vi), “immovable property” shall have the same meaning as in clause (d) of section 269UA;.

**4. In section 10 of the Income-tax Act,—**

(a) after clause (10B), the following clause shall be inserted, namely:—

“(10C) any payment received by an employee of a public sector company at the time of his voluntary retirement in accordance with any scheme which the Central Government may, having regard to the economic viability of such company and other relevant circumstances, approve in this behalf;”;

(b) in clause (15),—

(i) in sub-clause (ii),—

(A) in the opening paragraph, for the words, brackets and figures “the Post Office Savings Bank (Cumulative Time Deposits) Rules, 1959”, the words and figures “the Post Office Cumulative Time Deposit Rules, 1981” shall be substituted and shall be deemed to have been substituted with effect from the 1st day of April, 1983;

(B) in the proviso, for the words, brackets and figures “in item (3) in the Table below rule 3 of the Post Office Savings Banks Rules, 1965”, the words and figures “in item 6 in the Table below rule 4 of the Post Office Savings Account Rules, 1981” shall be substituted and shall be deemed to have been substituted with effect from the 1st day of April, 1983;

(ii) in sub-clause (iv), after item (g) and the *Explanation* thereto, the following item shall be inserted, namely:—

“(h) by any public sector company in respect of such bonds or debentures and subject to such conditions, including the condition that the holder of such bonds or debentures registers his name and the holding with that company, as the Central Government may, by notification in the Official Gazette, specify in this behalf;”;

(c) in clause (17),—

(i) in sub-clause (i), the word “and” shall be omitted and shall be deemed to have been omitted with effect from the 1st day of April, 1986;

(ii) for sub-clause (ii), the following sub-clauses shall be substituted and shall be deemed to have been substituted with effect from the 1st day of April, 1986, namely:—

“(ii) any allowance received by any person by reason of his membership of Parliament under the Members of Parliament (Constituency Allowance) Rules, 1986;

(iii) all other allowances not exceeding six hundred rupees per month in the aggregate received by any person by reason of his membership of any State Legislature or of

Amend-  
ment of  
section  
10.

Amend.  
ment of  
section  
10A.

any Committee thereof, which the Central Government may, by notification in the Official Gazette, specify in this behalf;".

5. In section 10A of the Income-tax Act, in the *Explanation* occurring at the end, after clause (ii), the following clause shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 1981, namely:—

'(iii) "manufacture" includes any—

- (a) process, or
- (b) assembling, or

(c) recording of programmes on any disc, tape, perforated media or other information storage device.'

Amend.  
ment of  
section  
27.

6. In section 27 of the Income-tax Act, for clause (iii), the following clauses shall be substituted with effect from the 1st day of April, 1988, namely:—

"(iii) a member of a co-operative society, company or other association of persons to whom a building or part thereof is allotted or leased under a house building scheme of the society, company or association, as the case may be, shall be deemed to be the owner of that building or part thereof;

(iiiia) a person who is allowed to take or retain possession of any building or part thereof in part performance of a contract of the nature referred to in section 53A of the Transfer of Property Act, 1882, shall be deemed to be the owner of that building or part thereof;

4 of 1882.

(iiiib) a person who acquires any rights (excluding any rights by way of a lease from month to month or for a period not exceeding one year) in or with respect to any building or part thereof, by virtue of any such transaction as is referred to in clause (f) of section 289UA, shall be deemed to be the owner of that building or part thereof;".

Amend.  
ment of  
section  
32AB.

7. In section 32AB of the Income-tax Act,—

(a) in sub-section (1),—

(i) for the words "deduction of", the words, brackets and figures "deduction (such deduction being allowed before the loss, if any, brought forward from earlier years is set off under section 72) of" shall be substituted;

(ii) the following proviso shall be inserted at the end, namely:—

"Provided that where such assessee is a firm, or any association of persons or any body of individuals, the deduction under this section shall not be allowed in the computation of the income of any partner, or as the case may be, any member of such firm, association of persons or body of individuals.";

(b) in sub-section (2), for clause (ii), the following clauses shall be substituted, namely:—

(ii) "new ship" or "new aircraft" includes a ship or aircraft which before the date of acquisition by the assessee was used by any other person, if it was not at any time previous to the date of such acquisition owned by any person resident in India;

(iii) "new machinery or plant" includes machinery or plant which before its installation by the assessee was used outside India by any other person, if the following conditions are fulfilled, namely:—

(a) such machinery or plant was not, at any time previous to the date of such installation by the assessee, used in India;

(b) such machinery or plant is imported into India from any country outside India; and

(c) no deduction on account of depreciation in respect of such machinery or plant has been allowed or is allowable under this Act in computing the total income of any person for any period prior to the date of the installation of the machinery or plant by the assessee;

(iv) "Tea Board" means the Tea Board established under section 4 of the Tea Act, 1953; ;

(c) in sub-section (3), in clause (a), for the words "as increased by an amount equal to the depreciation, if any, debited in the audited profit and loss account; and", the following shall be substituted, namely:—

"as increased by the aggregate of—

(i) the amount of depreciation;

(ii) the amount of income-tax paid or payable, and provision therefor;

(iii) the amount of surtax paid or payable under the Companies (Profits) Surtax Act, 1964;

(iv) the amounts carried to any reserves, by whatever name called;

(v) the amount or amounts set aside to provisions made for meeting liabilities, contingencies or commitments;

(vi) the amount by way of provision for losses of subsidiary companies; and

(vii) the amount or amounts of dividends paid or proposed,

if any debited to the profit and loss account; and as reduced by any amount or amounts withdrawn from reserves or provisions, if such amounts are credited to the profit and loss account; and";

(d) after sub-section (5), the following sub-sections shall be inserted, namely:—

'(5A) Any amount standing to the credit of the assessee in the deposit account shall not be allowed to be withdrawn before the expiry of a period of five years from the date of deposit except for the purposes specified in the scheme and in the circumstances specified below:—

- (a) closure of business;
- (b) death of an assessee;
- (c) partition of a Hindu undivided family;
- (d) dissolution of a firm;
- (e) liquidation of a company.

(5B) Where any amount standing to the credit of the assessee in the deposit account is utilised by the assessee for the purposes of any expenditure in connection with the eligible business or profession in accordance with the scheme, such expenditure shall not be allowed in computing the income chargeable under the head "Profits and gains of business or profession".';

(e) in sub-section (6),—

(i) for the words "is not utilised in accordance with the scheme", the words "is not utilised in accordance with, and within the time specified in, the scheme" shall be substituted;

(ii) the words "within that previous year," shall be omitted.

Amend-  
ment  
section  
33AB.

8. In section 33AB of the Income-tax Act, in sub-section (5), for the words, figures and letters "assessment year commencing on the 1st day of April, 1986, and the four assessment years next following that assessment year", the words, figures and letters "assessment years commencing on the 1st day of April, 1986 and the 1st day of April, 1987" shall be substituted with effect from the 1st day of April, 1988.

Amend-  
ment of  
section 36.

9. In section 36 of the Income-tax Act, in sub-section (1), after clause (v), the following clause shall be inserted with effect from the 1st day of April, 1988, namely:—

'(va) any sum received by the assessee from any of his employees to which the provisions of sub-clause (x) of clause (24) of section 2 apply, if such sum is credited by the assessee to the employee's account in the relevant fund or funds on or before the due date.

*Explanation.*—For the purposes of this clause, "due date" means the date by which the assessee is required as an employer to credit an employee's contribution to the employee's account in the relevant fund under any Act, rule, order or notification issued thereunder or under any standing order, award, contract of service or otherwise.".

**10.** In section 43B of the Income-tax Act, before the *Explanation*, the following provisos shall be inserted with effect from the 1st day of April, 1988, namely:—

“Provided that nothing contained in this section shall apply in relation to any sum referred to in clause (a) which is actually paid by the assessee on or before the due date applicable in his case for furnishing the return of income under sub-section (1) of section 139 in respect of the previous year in which the liability to pay such sum was incurred as aforesaid and the evidence of such payment is furnished by the assessee along with such return:

Provided further that no deduction shall, in respect of any sum referred to in clause (b), be allowed unless such sum has actually been paid during the previous year on or before the due date as defined in the *Explanation* below clause (va) of sub-section (1) of section 36.”.

**11.** In the Income-tax Act, after section 44B, the following section shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 1983, namely:—

‘44BB. (1) Notwithstanding anything to the contrary contained in sections 28 to 41 and sections 43 and 43A, in the case of an assessee engaged in the business of providing services or facilities in connection with, or supplying plant and machinery on hire used, or to be used, in the prospecting for, or extraction or production of, mineral oils, a sum equal to ten per cent. of the aggregate of the amounts specified in sub-section (2) shall be deemed to be the profits and gains of such business chargeable to tax under the head “Profits and gains of business or profession”:

Provided that this sub-section shall not apply in a case where the provisions of section 42 or section 44D or section 115A or section 293A apply for the purposes of computing profits or gains or any other income referred to in those sections.

(2) The amounts referred to in sub-section (1) shall be the following, namely:—

(a) the amount paid or payable (whether in or out of India) to the assessee or to any person on his behalf on account of the provision of services and facilities in connection with, or supply of plant and machinery on hire used or to be used in the prospecting for, or extraction or production of, mineral oils in India; and

(b) the amount received or deemed to be received in India by or on behalf of the assessee on account of the provision of services and facilities in connection with, or supply of plant and machinery on hire used or to be used in the prospecting for, or extraction or production of, mineral oils outside India.

*Explanation.*—For the purposes of this section,—

(i) “plant” includes ships, aircraft, vehicles, drilling units, scientific apparatus and equipment, used for the purposes of the said business;

(ii) “mineral oil” includes petroleum and natural gas.’

Amend-  
ment of  
section  
43B.

Insertion  
of new  
section  
44BB.

Special  
provision  
for com-  
puting  
profits and  
gains in  
connection  
with the  
business  
of explora-  
tion, etc.,  
of mineral  
oils.

Inserion  
of new  
section  
44BBA.

Special  
provision  
for com-  
puting  
profits and  
gains of  
the busi-  
ness of  
operation  
of aircraft  
in the case  
of non-  
residents.

Amend-  
ment of  
Section 45.

**12.** In the Income-tax Act, after section 44BB (as directed to be inserted by clause (11), the following section shall be inserted with effect from the 1st day of April, 1988, namely:—

‘44BBA. (1) Notwithstanding anything to the contrary contained in sections 28 to 43A, in the case of an assessee, being a non-resident, engaged in the business of operation of aircraft, a sum equal to five per cent. of the aggregate of the amounts specified in sub-section (2) shall be deemed to be the profits and gains of such business chargeable to tax under the head “Profits and gains of business or profession”.

(2) The amounts referred to in sub-section (1) shall be the following, namely:—

(a) the amount paid or payable (whether in or out of India) to the assessee or to any person on his behalf on account of the carriage of passengers, live-stock, mail or goods from any place in India; and

(b) the amount received or deemed to be received in India by or on behalf of the assessee on account of the carriage of passengers, live-stock, mail or goods from any place outside India.’

**13.** In section 45 of the Income-tax Act, with effect from the 1st day of April, 1988,—

(a) in sub-section (1), for the figures, letters and word “54E and 54F”, the figures, letters and word “54E, 54F, 54G and 54H” shall be substituted;

(b) after sub-section (2), the following sub-sections shall be inserted, namely:—

‘(3) The profits or gains arising from the transfer of a capital asset by a person to a firm or other association of persons or body of individuals (not being a company or a co-operative society) in which he is or becomes a partner or member, by way of capital contribution or otherwise, shall be chargeable to tax as his income of the previous year in which such transfer takes place and, for the purposes of section 48, the amount recorded in the books of account of the firm, association or body as the value of the capital asset shall be deemed to be the full value of the consideration received or accruing as a result of the transfer of the capital asset.

(4) The profits or gains arising from the transfer of a capital asset by way of distribution of capital assets on the dissolution of a firm or other association of persons or body of individuals (not being a company or a co-operative society) or otherwise, shall be chargeable to tax as the income of the firm, association or body, of the previous year in which the said transfer takes place and, for the purposes of section 48, the fair market value of the asset on the date of such transfer shall be deemed to be the full value of the consideration received or accruing as a result of the transfer.

(5) Notwithstanding anything contained in sub-section (1), where the capital gain arises from the transfer of a capital asset, being a transfer by way of compulsory acquisition under any law, or a transfer the consideration for which was determined or approved by the Central Government or the Reserve Bank of India, and the compensation or the consideration for such transfer is enhanced or further enhanced by any court, tribunal or other authority, the capital gain shall be dealt with in the following manner, namely:—

(a) the capital gain computed with reference to the compensation awarded in the first instance or, as the case may be, the consideration determined or approved in the first instance by the Central Government or the Reserve Bank of India shall be chargeable as income under the head "Capital gains" of the previous year in which the transfer took place; and

(b) the amount by which the compensation or consideration is enhanced or further enhanced by the court, tribunal or other authority shall be deemed to be income chargeable under the head "Capital gains" of the previous year in which such amount is received by the assessee.

*Explanation.—*For the purposes of this sub-section,—

(i) in relation to the amount referred to in clause (b), the cost of acquisition and the cost of improvement shall be taken to be *nil*;

(ii) the provisions of this sub-section shall apply also in a case where the transfer took place prior to the 1st day of April, 1988;

(iii) where by reason of the death of the person who made the transfer, or for any other reason, the enhanced compensation or consideration is received by any other person, the amount referred to in clause (b) shall be deemed to be the income, chargeable to tax under the head "Capital gains", of such other person.'

14. In section 47 of the Income-tax Act, clause (ii) shall be omitted with effect from the 1st day of April, 1988.

Amend-  
ment  
of sec-  
tion 47.

15. For section 48 of the Income-tax Act, the following section shall be substituted with effect from the 1st day of April, 1988, namely:—

Substitu-  
tion of  
new sec-  
tion for  
section  
48.

'48. (1) The income chargeable under the head "Capital gains" shall be computed,—

(a) by deducting from the full value of the consideration received or accruing as a result of the transfer of the capital asset the following amounts, namely:—

(i) expenditure incurred wholly and exclusively in connection with such transfer;

Mode of  
computa-  
tion and  
deduc-  
tions.

(ii) the cost of acquisition of the asset and the cost of any improvement thereto;

(b) where the capital gain arises from the transfer of a long-term capital asset (hereafter in this section referred to, respectively, as long-term capital gain and long-term capital asset) by making the further deductions specified in sub-section (2).

(2) The deductions referred to in clause (b) of sub-section (1) are the following, namely:—

(a) where the amount of long-term capital gain arrived at after making the deductions under clause (a) of sub-section (1) does not exceed ten thousand rupees, the whole of such amount;

(b) in any other case, ten thousand rupees as increased by a sum equal to,—

(i) in respect of long-term capital gain so arrived at relating to capital assets, being buildings or lands or any rights in buildings or lands or gold, bullion or jewellery,—

(A) in the case of a company, ten per cent. of the amount of such gain in excess of ten thousand rupees;

(B) in the case of any other assessee, fifty per cent. of the amount of such gain in excess of ten thousand rupees;

(ii) in respect of long-term capital gain so arrived at relating to other capital assets,—

(A) in the case of a company, thirty per cent. of the amount of such gain in excess of ten thousand rupees;

(B) in any other case, sixty per cent. of the amount of such gain in excess of ten thousand rupees:

Provided that where the long-term capital gain relates to both categories of capital assets referred to in sub-clauses (i) and (ii), the deduction of ten thousand rupees shall be allowed in the following order, namely:—

(1) the deduction shall first be allowed against long-term capital gain relating to the assets mentioned in sub-clause (i);

(2) thereafter, the balance, if any, of the said ten thousand rupees shall be allowed as deduction against long-term capital gain relating to the assets mentioned in sub-clause (ii),

and the provisions of sub-clause (ii) shall apply as if references to ten thousand rupees therein were references to the amount of deduction allowed in accordance with clauses (1) and (2) of this proviso:

Provided further that, in relation to the amount referred to in clause (b) of sub-section (5) of section 45, the initial deduc-

tion of ten thousand rupees under clause (a) of this sub-section shall be reduced by the deduction already allowed under clause (a) of section 80T in the assessment for the assessment year commencing on the 1st day of April, 1987, or any earlier assessment year or, as the case may be, by the deduction allowed under clause (a) of this sub-section in relation to the amount of compensation or consideration referred to in clause (a) of sub-section (5) of section 45 and references to ten thousand rupees in clauses (a) and (b) of this sub-section shall be construed as references to such reduced amount, if any.

(3) The deductions specified in sub-section (2) shall be made also for the purposes of computing any loss under the head "Capital gains" in so far as it pertains to any long-term capital asset and, for this purpose, any reference in that sub-section to the amount of long-term capital gain arrived at after making the deductions under clause (a) of sub-section (1) shall be construed as reference to the amount of loss arrived at after making the said deductions.'

**16.** In section 49 of the Income-tax Act, in sub-section (1), in clause (iii), for sub-clause (b), the following sub-clause shall be substituted with effect from the 1st day of April, 1988, namely:—

Amend-  
ment of  
section 49.

"(b) on any distribution of assets on the dissolution of a firm, body of individuals, or other association of persons, where such dissolution had taken place at any time before the 1st day of April, 1987, or".

**17.** Section 52 of the Income-tax Act shall be omitted with effect from the 1st day of April, 1988.

**18.** In section 53 of the Income-tax Act, with effect from the 1st day of April, 1988,—

(a) in the opening paragraph,—

(i) after the words "assessee being an individual", the words "or a Hindu undivided family" shall be inserted;

(ii) for the words and brackets "capital asset (other than a short-term capital asset)", the words "long-term capital asset" shall be substituted;

(b) the following *Explanation* shall be added at the end, namely:—

Omission  
of section  
52.

"*Explanation*.—In this section and in sections 54, 54B, 54D, 54E, 54F, 54G and 54H, references to capital gain shall be construed as references to the amount of capital gain as computed under clause (a) of sub-section (1) of section 48."

**19.** In section 54 of the Income-tax Act, with effect from the 1st day of April, 1988,—

(a) in sub-section (1),—

(i) for the words "Where, in the case of an assessee being an individual", the words, brackets and figure "Subject to the provisions of sub-section (2), where, in the case of an assessee

Amend-  
ment of  
section  
54.

being an individual or a Hindu undivided family" shall be substituted;

- (ii) the *Explanation* at the end shall be omitted;
- (b) for sub-section (2), the following sub-section shall be substituted, namely:—

"(2) The amount of the capital gain which is not appropriated by the assessee towards the purchase of the new asset made within one year before the date on which the transfer of the original asset took place, or which is not utilised by him for the purchase or construction of the new asset before the date of furnishing the return of income under section 139, shall be deposited by him before furnishing such return [such deposit being made in any case not later than the due date applicable in the case of the assessee for furnishing the return of income under sub-section (1) of section 139] in an account in any such bank or institution as may be specified in, and utilised in accordance with, any scheme which the Central Government may, by notification in the Official Gazette, frame in this behalf and such return shall be accompanied by proof of such deposit; and, for the purposes of sub-section (1), the amount, if any, already utilised by the assessee for the purchase or construction of the new asset together with the amount so deposited shall be deemed to be the cost of the new asset:

Provided that if the amount deposited under this sub-section is not utilised wholly or partly for the purchase or construction of the new asset within the period specified in sub-section (1), then,—

(i) the amount not so utilised shall be charged under section 45 as the income of the previous year in which the period of three years from the date of the transfer of the original asset expires; and

(ii) the assessee shall be entitled to withdraw such amount in accordance with the scheme aforesaid.

*Explanation.*—Where any amount becomes chargeable under section 45 in accordance with the proviso to this sub-section, then,—

(a) for the purposes of the deductions to be made under clause (b) of sub-section (1) of section 48, the initial deduction of ten thousand rupees under sub-section (2) of that section shall not be admissible; and

(b) nothing contained in section 53 shall apply in relation to such amount."

Amend-  
ment  
of sec-  
tion 54

20. In section 54B of the Income-tax Act, with effect from the 1st day of April, 1988,—

(a) in sub-section (1), for the words "Where the capital gain arises", the words, brackets and figure "Subject to the provisions of sub-section (2), where the capital gain arises" shall be substituted;

(b) for sub-section (2), the following sub-section shall be substituted, namely:—

“(2) The amount of the capital gain which is not utilised by the assessee for the purchase of the new asset before the date of furnishing the return of income under section 139, shall be deposited by him before furnishing such return [such deposit being made in any case not later than the due date applicable in the case of the assessee for furnishing the return of income under sub-section (1) of section 139] in an account in any such bank or institution as may be specified in, and utilised in accordance with, any scheme which the Central Government may, by notification in the Official Gazette, frame in this behalf and such return shall be accompanied by proof of such deposit; and, for the purposes of sub-section (1), the amount, if any, already utilised by the assessee for the purchase of the new asset together with the amount so deposited shall be deemed to be the cost of the new asset:

Provided that if the amount deposited under this sub-section is not utilised wholly or partly for the purchase of the new asset within the period specified in sub-section (1), then,—

(i) the amount not so utilised shall be charged under section 45 as the income of the previous year in which the period of two years from the date of the transfer of the original asset expires; and

(ii) the assessee shall be entitled to withdraw such amount in accordance with the scheme aforesaid.

*Explanation.*—Where any amount becomes chargeable under section 45 in accordance with the proviso to this sub-section, then, for the purposes of the deductions to be made under clause (b) of sub-section (1) of section 48, the initial deduction of ten thousand rupees under sub-section (2) of that section shall not be admissible.”.

21. In section 54D of the Income-tax Act, with effect from the 1st day of April, 1988,—

Amend-  
ment of  
section  
54D.

(a) in sub-section (1), for the words “Where the capital gain arises”, the words, brackets and figure “Subject to the provisions of sub-section (2), where the capital gain arises” shall be substituted;

(b) for sub-section (2), the following sub-section shall be substituted, namely:—

“(2) The amount of the capital gain which is not utilised by the assessee for the purchase or construction of the new asset before the date of furnishing the return of income under section 139, shall be deposited by him before furnishing such return [such deposit being made in any case not later than the due date applicable in the case of the assessee for furnishing the return of income under sub-section (1) of section 139] in an account in any such bank or institution as may be specified in, and utilised in accordance with, any scheme which the Central Government may, by notification in the Official Gazette, frame in this behalf

and such return shall be accompanied by proof of such deposit; and, for the purposes of sub-section (1), the amount, if any, already utilised by the assessee for the purchase or construction of the new asset together with the amount so deposited shall be deemed to be the cost of the new asset:

Provided that if the amount deposited under this sub-section is not utilised wholly or partly for the purchase or construction of the new asset within the period specified in sub-section (1), then,—

- (i) the amount not so utilised shall be charged under section 45 as the income of the previous year in which the period of three years from the date of the transfer of the original asset expires; and
- (ii) the assessee shall be entitled to withdraw such amount in accordance with the scheme aforesaid.

*Explanation.—*Where any amount becomes chargeable under section 45 in accordance with the proviso to this sub-section, then, for the purposes of the deductions to be made under clause (b) of sub-section (1) of section 48, the initial deduction of ten thousand rupees under sub-section (2) of that section shall not be admissible.”.

Amend-  
ment of  
section 54E.

22. In section 54E of the Income-tax Act, with effect from the 1st day of April, 1988,—

- (a) in sub-section (1), for the words “capital asset, not being a short-term capital asset”, the words “long-term capital asset” shall be substituted;
- (b) in sub-section (2), for the words “capital assets other than short-term capital assets”, the words “long-term capital assets” shall be substituted;
- (c) sub-sections (3), (4) and (5) shall be omitted;
- (d) sub-section (6) shall be renumbered as sub-section (3), and in that sub-section as so renumbered, the words, brackets, letters and figure “or clause (a) or clause (b) of sub-section (3)” shall be omitted.

Amend-  
ment of  
section  
54F.

23. In section 54F of the Income-tax Act, with effect from the 1st day of April, 1988,—

- (a) in sub-section (1),—

(i) for the words “Where, in the case of an assessee being an individual”, the words, brackets and figure “Subject to the provisions of sub-section (4), where, in the case of an assessee being an individual or a Hindu undivided family” shall be substituted;

(ii) after the words “period of one year before or”, the words “two years” shall be inserted;

(iii) in the *Explanation*,—

(A) clause (i) shall be omitted;

(B) in clause (ii), the brackets and figures "(ii)" shall be omitted;

(b) in sub-section (2), for the words "one year", the words "two years" shall be substituted;

(c) after sub-section (3), the following sub-section shall be inserted, namely:—

"(4) The amount of the net consideration which is not appropriated by the assessee towards the purchase of the new asset made within one year before the date on which the transfer of the original asset took place, or which is not utilised by him for the purchase or construction of the new asset before the date of furnishing the return of income under section 139, shall be deposited by him before furnishing such return [such deposit being made in any case not later than the due date applicable in the case of the assessee for furnishing the return of income under sub-section (1) of section 139] in an account in any such bank or institution as may be specified in, and utilised in accordance with, any scheme which the Central Government may, by notification in the Official Gazette, frame in this behalf and such return shall be accompanied by proof of such deposit; and, for the purposes of sub-section (1), the amount, if any, already utilised by the assessee for the purchase or construction of the new asset together with the amount so deposited shall be deemed to be the cost of the new asset:

Provided that if the amount deposited under this sub-section is not utilised wholly or partly for the purchase or construction of the new asset within the period specified in sub-section (1), then,—

(i) the amount by which—

(a) the amount of capital gain arising from the transfer of the original asset not charged under section 45 on the basis of the cost of the new asset as provided in clause (a) or, as the case may be, clause (b) of sub-section (1),

**exceeds**

(b) the amount that would not have been so charged had the amount actually utilised by the assessee for the purchase or construction of the new asset within the period specified in sub-section (1) been the cost of the new asset,

shall be charged under section 45 as income of the previous year in which the period of three years from the date of the transfer of the original asset expires; and

(ii) the assessee shall be entitled to withdraw the unutilised amount in accordance with the scheme aforesaid.

*Explanation.*—Where any amount becomes chargeable under section 45 in accordance with sub-section (2) or sub-section (3) or the proviso to this sub-section, then, for the purposes of the deductions to be made under clause (b) of sub-section (1) of section 48, the initial deduction of ten thousand rupees under sub-section (2) of that section shall not be admissible.”.

Insertion  
of new  
sections  
54G and  
54H.

Exemption  
of capital  
gains on  
transfer of  
assets in  
cases of  
shifting of  
industrial  
undertaking  
from urban  
area.

24. After section 54F of the Income-tax Act, the following section shall be inserted with effect from the 1st day of April, 1988, namely:—

‘54G. (1) Subject to the provisions of sub-section (2), where the capital gain arises from the transfer of a long-term capital asset, being machinery or plant or building or land or any rights in building or land used for the purposes of the business of an industrial undertaking situate in an urban area, effected in the course of, or in consequence of, the shifting of such industrial undertaking (hereafter in this section referred to as the Original asset) to any area (other than an urban area) and the assessee has within a period of one year before or three years after the date on which the transfer took place,—

- (a) purchased new machinery or plant for the purposes of business of the industrial undertaking in the area to which the said undertaking is shifted;
- (b) acquired building or land or constructed building for the purposes of his business in the said area;
- (c) shifted the original asset and transferred the establishment of such undertaking to such area; and
- (d) incurred expenses on such other purpose as may be specified in a scheme framed by the Central Government for the purposes of this section,

then, instead of the capital gain being charged to income-tax as income of the previous year in which the transfer took place, it shall be dealt with in accordance with the following provisions of this section, that is to say,—

(i) if the amount of the capital gain is greater than the cost and expenses incurred in relation to all or any of the purposes mentioned in clauses (a) to (d) (such cost and expenses being hereafter in this section referred to as the new asset), the difference between the amount of the capital gain and the cost of the new asset shall be charged under section 45 as the income of the previous year; and for the purpose of computing in respect of the new asset any capital gain arising from its transfer within a period of three years of its being purchased, acquired, constructed or transferred, as the case may be, the cost shall be *nil*; or

(ii) if the amount of the capital gain is equal to, or less than, the cost of the new asset, the capital gain shall not be charged under section 45; and for the purpose of computing in respect

of the new asset any capital gain arising from its transfer within a period of three years of its being purchased, acquired, constructed or transferred, as the case may be, the cost shall be reduced by the amount of the capital gain.

*Explanation.*—In this sub-section, “urban area” means any such area within the limits of a municipal corporation or municipality as the Central Government may, having regard to the population, concentration of industries, need for proper planning of the area and other relevant factors, by general or special order, declare to be an urban area for the purposes of this sub-section.

(2) The amount of capital gain which is not appropriated by the assessee towards the cost and expenses incurred in relation to all or any of the purposes mentioned in clauses (a) to (d) of sub-section (1) within one year before the date on which the transfer of the original asset took place, or which is not utilised by him for all or any of the purposes aforesaid before the date of furnishing the return of income under section 139, shall be deposited by him before furnishing such return [such deposit being made in any case not later than the due date applicable in the case of the assessee for furnishing the return of income under sub-section (1) of section 139] in an account in any such bank or institution as may be specified in, and utilised in accordance with, any scheme which the Central Government may, by notification in the Official Gazette, frame in this behalf and such return shall be accompanied by proof of such deposit; and, for the purposes of sub-section (1), the amount, if any, already utilised by the assessee for all or any of the purposes aforesaid together with the amount so deposited shall be deemed to be the cost of the new asset:

Provided that if the amount deposited under this sub-section is not utilised wholly or partly for all or any of the purposes mentioned in clauses (a) to (d) of sub-section (1) within the period specified in that sub-section, then,—

(i) the amount not so utilised shall be charged under section 45 as the income of the previous year in which the period of three years from the date of the transfer of the original asset expires; and

(ii) the assessee shall be entitled to withdraw such amount in accordance with the scheme aforesaid.

*Explanation.*—Where any amount becomes chargeable under section 45 in accordance with the proviso to this sub-section, then, for the purposes of the deductions to be made under clause (b) of sub-section (1) of section 48, the initial deduction of ten thousand rupees under sub-section (2) of that section shall not be admissible.

54H. The capital gains arising from the transfer of a capital asset, being shares in a company, to any such public sector company, as the Central Government may, by notification in the Official Gazette, specify, shall be exempt from the tax chargeable under section 45.'

**Amend-  
ment of  
section 55.**

**25.** In section 55 of the Income-tax Act, with effect from the 1st day of April, 1988,—

(a) in sub-section (1), in clause (b), for the words ‘“cost of any improvement”, in relation to a capital asset,—’, the following shall be substituted, namely:—

‘“cost of any improvement”,—

(1) in relation to a capital asset being goodwill of a business shall be taken to be *nil*; and

(2) in relation to any other capital asset,—’;

(b) in sub-section (2), for the opening portion, the following shall be substituted, namely:—

‘For the purposes of sections 48 and 49, “cost of acquisition”,—

(a) in relation to a capital asset, being goodwill of a business,—

(i) in the case of acquisition of such asset by the assessee by purchase from a previous owner, means the amount of the purchase price; and

(ii) in any other case, shall be taken to be *nil*;

(b) in relation to any other capital asset,—’.

**Amend-  
ment of  
section 56**

**26.** In section 56 of the Income-tax Act, in sub-section (2), after clause (ib), the following clause shall be inserted with effect from the 1st day of April, 1988 namely:—

‘(ic) income referred to in sub-clause (x) of clause (24) of section 2, if such income is not chargeable to income-tax under the head “Profits and gains of business or profession”;.

**Amend-  
ment of  
section  
57.**

**27.** In section 57 of the Income-tax Act, after clause (i), the following clause shall be inserted with effect from the 1st day of April, 1988, namely:—

‘(ia) in the case of income of the nature referred to in sub-clause (x) of clause (24) of section 2 which is chargeable to income-tax under the head “Income from other sources”, deductions, so far as may be, in accordance with the provisions of clause (va) of sub-section (1) of section 36;’.

**Amend-  
ment of  
section 70.**

**28.** In section 70 of the Income-tax Act, with effect from the 1st day of April, 1988,—

(a) in sub-section (1),—

(i) the brackets and figure “(1)” shall be omitted;

(ii) the words ‘other than “Capital gains”’ shall be omitted;

(b) sub-section (2) shall be omitted.

**29.** For section 71 of the Income-tax Act, the following section shall be substituted with effect from the 1st day of April, 1988, namely:—

Substitution of new section for section 71.

"71. Where in respect of any assessment year, the net result of the computation under any head of income is a loss, the assessee shall, subject to the provisions of this Chapter, be entitled to have the amount of such loss set off against his income, if any, assessable for that assessment year under any other head."

Set off of loss from one head against income from another.

**30.** In section 72 of the Income-tax Act, in sub-section (1), the portion beginning with the words "where the assessee" and ending with the words "of that section or" shall be omitted with effect from the 1st day of April, 1988.

Amendment of section 72.

**31.** For section 74 of the Income-tax Act, the following section shall be substituted with effect from the 1st day of April, 1988, namely:—

Substitution of new section for section 74.

**'74.** (1) Where in respect of any assessment year, the net result of the computation under the head "Capital gains" is a loss to the assessee and such loss cannot be or is not wholly set off against income under any other head of income in accordance with the provisions of section 71, so much of the loss as has not been so set off or, where he has no income under any other head, the whole loss shall, subject to the other provisions of this Chapter, be carried forward to the following assessment year, and—

Losses under the head "Capital gains".

(a) it shall be set off against income, if any, under the head "Capital gains" assessable for that assessment year; and

(b) if the loss cannot be wholly so set off, the amount of loss not so set off shall be carried forward to the following assessment year, and so on.

(2) No loss shall be carried forward under this section for more than eight assessment years immediately succeeding the assessment year for which the loss was first computed.

(3) Any loss computed under the head "Capital gains" in respect of the assessment year commencing on the 1st day of April, 1987, or any earlier assessment year which is carried forward in accordance with the provisions of this section as it stood before the 1st day of April, 1988, shall be dealt with in the assessment year commencing on the 1st day of April, 1988, or any subsequent assessment year as follows:—

(a) in so far as such loss relates to short-term capital assets, it shall be carried forward and set off in accordance with the provisions of sub-sections (1) and (2);

(b) in so far as such loss relates to long-term capital assets, it shall be reduced by the deductions specified in sub-section (2) of section 48 and the reduced amount shall be carried

forward and set off in accordance with the provisions of sub-section (1) but such carry forward shall not be allowed beyond the fourth assessment year immediately succeeding the assessment year for which the loss was first computed.'

**Amend-  
ment of  
section  
80C.** 32. In section 80C of the Income-tax Act, with effect from the 1st day of April, 1988,—

(a) in sub-section (2), for clause (h), the following clause shall be substituted, namely:—

'(h) where the assessee is an individual or a Hindu undivided family or where the assessee is an association of persons or a body of individuals consisting, in either case, only of husband and wife governed by the system of community of property in force in the Union territories of Dadra and Nagar Haveli and Goa, Daman and Diu, any sums paid in the previous year by such assessee out of his or its income chargeable to tax,—

(i) as subscription to any such security of the Central Government as that Government may, by notification in the Official Gazette, specify in this behalf; or

(ii) for the purposes of purchase or construction of a residential house property the construction of which is completed after the 31st day of March, 1987, and the income from which is chargeable to tax under the head "Income from house property" (or which would, if it had not been used for the assessee's own residence, have been chargeable to tax under that head), where such payments are made towards or by way of—

(a) any instalment or part payment of the amount due under any self-financing or other scheme of any development authority, housing board or other authority engaged in the construction and sale of house property on ownership basis; or

(b) any instalment or part payment of the amount due to any company or co-operative society of which the assessee is a shareholder or member towards the cost of the house property allotted to him; or

(c) re-payment of the amount borrowed by the assessee from—

(1) the Central Government or any State Government, or

(2) any bank, including a co-operative bank, or

(3) the Life Insurance Corporation, or

(4) any public company formed and registered in India with the main object of carrying on the business of providing long-term finance for construction or purchase of houses in India for residential purposes which is approved for the purposes of clause (viii) of sub-section (1) of section 36, or

(5) any company in which the public are substantially interested or any co-operative society, where such company or co-operative society is engaged in the business of financing the construction of houses, or

(6) the assessee's employer where such employer is a public company;

(d) stamp duty, registration fee and other expenses for the purpose of transfer of such house property to the assessee,

but shall not include any payment towards or by way of—

(A) the admission fee, cost of share and initial deposit which a shareholder of a company or a member of a co-operative society has to pay for becoming such shareholder or member; or

(B) the cost of the land, except where the consideration for the purchase of the house property is a composite amount and the cost of the land alone cannot be separately ascertained; or

(C) the cost of any addition or alteration to, or renovation or repair of, the house property which is carried out after the issue of the completion certificate in respect of the house property by the authority competent to issue such certificate or after the house property or any part thereof has either been occupied by the assessee or any other person on his behalf or been let out; or

(D) any expenditure in respect of which deduction is allowable under the provisions of section 24; ;

(b) in sub-section (4), in clause (ii), for the words, brackets, letter and figure "referred to in clause (g) of sub-section (2)", the words, brackets, letters and figure "referred to in clause (g) or clause (h) of sub-section (2)" shall be substituted;

(c) after sub-section (6) and the *Explanations* below that sub-section, the following sub-sections shall be inserted, namely:—

'(7) In the case of an assessee referred to in clause (h) of sub-section (2),—

(a) where any sums specified in sub-clause (ii) of that clause, with reference to which the deduction under sub-section (1) has been allowed are refunded to or received back by the assessee in any previous year (hereinafter referred to as the relevant previous year), then,—

(i) no deduction shall be allowed to the assessee under sub-section (1) with reference to any of the sums, specified in that sub-clause, paid in the relevant previous year; and

(ii) the aggregate amount of the deductions so allowed in respect of the previous year or previous

years preceding the relevant previous year shall be deemed to be the income of the assessee of the relevant previous year and shall be chargeable to tax under the head "Income from other sources";

(b) where the house property referred to in sub-clause (ii) of that clause is transferred by the assessee before the expiry of five years from the end of the financial year in which possession of such property is obtained by him, then,—

(i) no deduction shall be allowed to the assessee under sub-section (1) with reference to any of the sums, specified in that sub-clause, paid in the previous year in which the transfer is so made; and

(ii) the aggregate amount of the deductions allowed under sub-section (1) with reference to the sums specified in that sub-clause in respect of the previous year or previous years preceding the previous year referred to in sub-clause (i) of this clause shall be deemed to be the income of the assessee of the previous year in which the transfer is made and shall be chargeable to tax under the head "Income from other sources";

(c) where the aggregate of any sums specified in sub-clause (ii) of that clause exceeds an amount of ten thousand rupees, a deduction under sub-section (1) shall be allowed with reference to so much of the aggregate as does not exceed an amount of ten thousand rupees.

(8) In this section,—

(a) "Life Insurance Corporation" means the Life Insurance Corporation of India established under the Life Insurance Corporation Act, 1956;

(b) "public company" shall have the same meaning as in section 3 of the Companies Act, 1956;

(c) "transfer" shall be deemed to include also the transactions referred to in clause (f) of section 269UA.'

31 of 1956.

1 of 1956.

Amend-  
ment of  
section  
80CC.

33. In section 80CC of the Income-tax Act,—

(a) in sub-section (3), in clause (c), for the words, figures and letters "the 1st day of April, 1987", the words, figures and letters "the 1st day of April, 1990" shall be substituted;

(b) in sub-section (5), for the words "five years", the words "three years" shall be substituted.

34. In the Income-tax Act, after section 80CC, the following section shall be inserted with effect from the 1st day of April, 1988, namely:—

Inset-  
tion of  
new section  
80 CCA

"80CCA. (1) Where an assessee, being—

(a) an individual, or

(b) a Hindu undivided family, or

(c) an association of persons or a body of individuals consisting, in either case, only of husband and wife governed by

Dedu-  
ction in  
respect of  
deposits  
under  
National  
Savings  
Scheme.

the system of community of property in force in the Union territories of Dadra and Nagar Haveli and Goa, Daman and Diu,

has in the previous year deposited out of his income chargeable to tax any amount in accordance with such scheme as the Central Government may, by notification in the Official Gazette, specify in this behalf (hereafter in this section referred to as the National Savings Scheme), he shall, in accordance with, and subject to, the provisions of this section, be allowed a deduction in the computation of his total income of an amount equal to fifty per cent. of so much of the deposits (excluding interest accrued and credited to the assessee's account) as do not exceed the amount of twenty thousand rupees in the previous year.

(2) Where any amount standing to the credit of the assessee under the National Savings Scheme in respect of which a deduction has been allowed under sub-section (1) together with the interest accrued on such amount is withdrawn in whole or in part in any previous year, an amount equal to fifty per cent. of the amount so withdrawn shall be deemed to be the income of the assessee of that previous year in which such withdrawal is made and shall, accordingly, be chargeable to tax as the income of that previous year.

*Explanation.—*For the removal of doubts, it is hereby declared that interest on the deposits made under the National Savings Scheme shall not be chargeable to tax except in the manner and to the extent specified in sub-section (2).".

35. In section 80G of the Income-tax Act, in sub-section (5), in clause (i), for the words, brackets, figures and letter "or clause (23C)", the words, brackets, figures and letters "or clause (23AA) or clause (23C)" shall be substituted with effect from the 1st day of April, 1988.

Amend-  
ment of  
section  
80G.

36. In section 80-O of the Income-tax Act, with effect from the 1st day of April, 1988,—

Amend-  
ment of  
section  
80-O.

(a) in the opening paragraph,—

(i) the portion beginning with the words "or having been received in convertible foreign exchange outside India" and ending with the words "and dealings in foreign exchange," shall be omitted;

(ii) for the words "so received in, or brought into, India", the words "so received in India" shall be substituted;

(b) after the second proviso, the following proviso shall be inserted, namely:—

"Provided also that such income is received in India within a period of six months from the end of the previous year, or where the Commissioner is satisfied (for reasons to be recorded in writing) that the assessee is, for reasons beyond his control, unable to do so within the said period of six months, within such further period as the Commissioner may allow in this behalf.";

Amendment of section 80RRA.

(c) in the *Explanation*, for clause (ii), the following clause shall be substituted, namely:—

‘(ii) “foreign enterprise” means a person who is a non-resident.’.

**37.** In section 80RRA of the Income-tax Act, in sub-section (1), for the words “of an amount equal to fifty per cent. thereof”, the following shall be substituted with effect from the 1st day of April, 1988, namely:—

“of an amount equal to,—

(i) fifty per cent. of the remuneration; or

(ii) seventy-five per cent. of such remuneration as is brought into India by, or on behalf of, the assessee in accordance with the Foreign Exchange Regulation Act, 1973, and any rules made thereunder,

whichever is higher”.

Omission of section 80T.

**38.** Section 80T of the Income-tax Act shall be omitted with effect from the 1st day of April, 1988.

Amendment of section 80U.

**39.** In section 80U of the Income-tax Act, in sub-section (1), for the words “ten thousand rupees”, the words “fifteen thousand rupees” shall be substituted with effect from the 1st day of April, 1988.

Omission of Chapter VIB.

**40.** Chapter VIB of the Income-tax Act shall be omitted with effect from the 1st day of April, 1988.

Omission of Chapter XI.

**41.** Chapter XI of the Income-tax Act shall be omitted with effect from the 1st day of April, 1988.

Omission of section 115.

**42.** Section 115 of the Income-tax Act shall be omitted with effect from the 1st day of April, 1988.

Insertion of new Chapter XIIIB.

**43.** In the Income-tax Act, after Chapter XIIA, the following Chapter shall be inserted with effect from the 1st day of April, 1988, namely:—

## ‘CHAPTER XIIIB

### SPECIAL PROVISIONS RELATING TO CERTAIN COMPANIES

Special provisions relating to certain companies.

**115J.** (1) Notwithstanding anything contained in any other provision of this Act, where in the case of an assessee being a Company, the total income, as computed under this Act in respect of any previous year relevant to the assessment year commencing on or after the 1st day of April, 1988 (hereafter in this section referred to as the relevant previous year) is less than thirty per cent. of its book profit, the total income of such assessee chargeable to tax for the relevant previous year shall be deemed to be an amount equal to thirty per cent. of such book profit.

**Explanation.**—For the purposes of this section, “book profit” means the net profit as shown in the profit and loss account for the

46 of 1973.

1 of 1956.  
relevant previous year prepared in accordance with the provisions of Parts II and III of the Sixth Schedule to the Companies Act, 1956, as increased by—

- (a) the amount of income-tax paid or payable, and the provision therefor; or
- (b) the amounts carried to any reserves, by whatever name called; or
- (c) the amount or amounts set aside to provisions made for meeting liabilities, contingencies or commitments; or
- (d) the amount by way of provision for loss of subsidiary companies; or
- (e) the amount or amounts of dividends paid or proposed; or
- (f) the amount or amounts of expenditure relatable to any income to which any of the provisions of Chapter III applies,

if any such amount is debited to the profit and loss account, and as reduced by,—

- (i) the amount or amounts withdrawn from reserves or provisions; or
- (ii) the amount or amounts of income to which any of the provisions of Chapter III applies,

if any such amount is credited to the profit and loss account.

(2) Nothing contained in sub-section (1) shall affect the determination of the amounts in relation to the relevant previous year to be carried forward to the subsequent year or years under the provisions of sub-section (2) of section 32 or sub-section (3) of section 32A or clause (ii) of sub-section (1) of section 72 or section 73 or section 74 or sub-section (3) of section 74A or sub-section (3) of section 80J.'

**44.** In section 155 of the Income-tax Act, sub-section (12) shall be omitted with effect from the 1st day of April, 1988.

Amend-  
ment of  
section  
155.

**45.** In section 192 of the Income-tax Act, with effect from the 1st day of June, 1987,—

Amend-  
ment of  
section  
192.

(a) after sub-section (1), the following sub-sections shall be inserted, namely:—

'(2) Where, during the financial year, an assessee is employed simultaneously under more than one employer, or where he has held successively employment under more than one employer, he may furnish to the person responsible for making the payment referred to in sub-section (1) (being one of the

said employers as the assessee may, having regard to the circumstances of his case, choose), such details of the income under the head "Salaries" due or received by him from the other employer or employers, the tax deducted at source therefrom and such other particulars, in such form and verified in such manner as may be prescribed, and thereupon the person responsible for making the payment referred to above shall take into account the details so furnished for the purposes of making the deduction under sub-section (1).

(2A) Where the assessee, being a government servant or an employee in a public sector undertaking, is entitled to the relief under sub-section (1) of section 89, he may furnish to the person responsible for making the payment referred to in sub-section (1), such particulars, in such form and verified in such manner as may be prescribed, and thereupon the person responsible as aforesaid shall compute the relief on the basis of such particulars and take it into account in making the deduction under sub-section (1). |

(2B) Where an assessee who receives any income chargeable under the head "Salaries" has, in addition, any income chargeable under any other head of income (not being a loss under any such head) for the same financial year, he may send to the person responsible for making the payment referred to in sub-section (1) the particulars of such other income and of any tax deducted thereon under any other provision of this Chapter, in such form and verified in such manner as may be prescribed, and thereupon the person responsible as aforesaid shall take such other income and the tax, if any, deducted thereon also into account for the purposes of making the deduction under sub-section (1):

Provided that this sub-section shall not in any case have the effect of reducing the tax deductible from the income under the head "Salaries" below the amount that would be so deductible if the other income and the tax deducted thereon had not been taken into account.:

(b) in sub-section (3), after the words, brackets and figure "in sub-section (1)", the words, brackets, figures and letters "or sub-section (2) or sub-section (2A) or sub-section (2B)" shall be inserted.

Amend-  
ment of  
section  
194.

**46.** In section 194 of the Income-tax Act, in the first proviso, in clause (b), for the words "one thousand rupees", the words "two thousand five hundred rupees" shall be substituted with effect from the 1st day of June, 1987.

Amend-  
ment of  
section  
194A.

**47.** In section 194A of the Income-tax Act, with effect from the 1st day of June, 1987,—

(a) in sub-section (1), after the proviso, the following *Explanation* shall be inserted, namely:—

*'Explanation.—For the purposes of this section, where any income by way of interest as aforesaid is credited to any account, whether called "Interest payable account" or "Suspense account" or by any other name, in the books of account of the person liable to pay such income, such crediting shall be deemed to be*

credit of such income to the account of the payee and the provisions of this section shall apply accordingly.';

(b) in sub-section (3), in clause (i), for the words "one thousand rupees", the words "two thousand five hundred rupees" shall be substituted.

48. In section 194D of the Income-tax Act, after the proviso, the following proviso shall be inserted with effect from the 1st day of June, 1987, namely:—

Amend-  
ment of  
section  
194D.

"Provided further that no deduction shall be made under this section in a case where the amount of such income or, as the case may be, the aggregate of the amounts of such income credited or paid or likely to be credited or paid during the financial year to the account of, or to, the payee, does not exceed five thousand rupees.".

49. After section 194D of the Income-tax Act, the following section shall be inserted with effect from the 1st day of June, 1987, namely:—

Insertion  
of new  
section  
194E.

Other  
incomes.

'194E. (1) Any person, not being an individual or a Hindu undivided family, who is responsible for paying to a resident any income by way of:—

- (a) fees for professional services, or
- (b) royalty, or
- (c) fees for technical services, or
- (d) rent, or
- (e) commission (not being insurance commission referred to in section 194D) or brokerage, or
- (f) payments for goods supplied to Government or any local authority or any corporation or body established by or under a Central, State or Provincial Act or any company.

shall, at the time of credit of such income to the account of the payee or at the time of payment thereof in cash or by the issue of a cheque or draft or by any other mode, whichever is earlier, deduct income-tax thereon at the rates in force:

Provided that no deduction shall be made under this section—

(A) from any payments made as aforesaid before the 1st day of June, 1987; or

(B) where the amount of such income or, as the case may be, the aggregate of the amounts of such income credited or paid or likely to be credited or paid during the financial year by the person referred to in this sub-section to the account of, or to, the payee, does not exceed—

(i) five thousand rupees, in the case of fees for professional services referred to in clause (a); or

- (ii) five thousand rupees, in the case of royalty or fees for technical services referred to, respectively, in clause (b) and clause (c); or
- (iii) thirty-six thousand rupees, in the case of rent referred to in clause (d); or
- (iv) five thousand rupees, in the case of commission or brokerage referred to in clause (e); or
- (v) one hundred thousand rupees, in the case of payment for goods referred to in clause (f).

(2) In this section,—

- (a) "professional services" means services rendered by a person in the course of carrying on a legal, medical, engineering or architectural profession or the profession of accountancy or technical consultancy or interior decoration or such other profession as is notified by the Board for the purposes of section 44AA;
- (b) "royalty" shall have the same meaning as in *Explanation 2* below clause (vi) of sub-section (1) of section 9;
- (c) "fees for technical services" shall have the same meaning as in *Explanation 2* below clause (vii) of sub-section (1) of section 9;
- (d) "rent" means any payment, by whatever name called, under any lease, sub-lease, tenancy or any other agreement or arrangement for the use of any land or any building (including factory building), together with furniture, fittings and the land appurtenant thereto, whether or not such building is owned by the payee, and which is chargeable to income-tax as the income of the payee under the head "Income from house property" or "Income from other sources";
- (e) "commission or brokerage" includes any payment received or receivable, directly or indirectly, by a person acting on behalf of another person for services rendered (not being professional services) or for any services in the course of buying or selling of goods or in the course of any transaction relating to any asset, valuable article or thing.

*Explanation.*—For the purposes of this section, where any income as aforesaid is credited to any account, whether called "Suspense account" or by any other name, in the books of account of the person liable to pay such income, such crediting shall be deemed to be credit of such income to the account of the payee and the provisions of this section shall apply accordingly.'

Amend.  
ment of  
section  
195.

**50.** In section 195 of the Income-tax Act, with effect from the 1st day of June, 1987,—

(a) for sub-section (1), the following sub-section shall be substituted, namely:—

'(1) Any person responsible for paying to a non-resident, not being a company, or to a foreign company, any interest (not

being interest on securities) or any other sum chargeable under the provisions of this Act (not being income chargeable under the head "Salaries" or dividends) shall, at the time of credit of such income to the account of the payee or at the time of payment thereof in cash or by the issue of a cheque or draft or by any other mode, whichever is earlier, deduct income-tax thereon at the rates in force.

*Explanation.—*For the purposes of this section, where any interest or other sum as aforesaid is credited to any account, whether called "Interest payable account" or "Suspense account" or by any other name, in the books of account of the person liable to pay such income, such crediting shall be deemed to be credit of such income to the account of the payee and the provisions of this section shall apply accordingly.;

(b) in sub-section (2),—

(i) for the words "by general or special order", the words "in the prescribed manner" shall be substituted;

(ii) the following proviso shall be inserted at the end, namely:—

"Provided that this sub-section shall not apply to any payment to a foreign company by way of interest referred to in clause (v), or royalty referred to in clause (vi), or fees for technical services referred to in clause (vii), of sub-section (1) of section 9".

51. After section 195 of the Income-tax Act, the following section shall be inserted with effect from the 1st day of June, 1987, namely:—

Insertion  
of new  
section  
195A.

"195A. Where, under an agreement or other arrangement, the tax chargeable on any income referred to in the foregoing provisions of this Chapter is to be borne by the person by whom the income is payable, then, for the purposes of deduction of tax under those provisions such income shall be increased to such amount as would, after deduction of tax thereon at the rates in force for the financial year in which such income is payable, be equal to the net amount payable under such agreement or arrangement.".

Income  
payable  
"net of  
tax".

52. In section 197 of the Income-tax Act, with effect from the 1st day of June, 1987,—

Amend-  
ment of  
section  
197.

(a) in sub-section (1),—

(i) for the words "Where, in the case of any income of any person other than a company", the words, brackets, figure and letter "Subject to rules made under sub-section (2A), where, in the case of any income of any person other than a company" shall be substituted;

(ii) in clause (a), for the figures and letter "194D", the figures and letters "194D, 194E" shall be substituted;

(b) after sub-section (2), the following sub-section shall be inserted, namely:—

"(2A) The Board may, having regard to the convenience of assessees and the interests of revenue, by notification in the Official Gazette, make rules specifying the cases in which, and the circumstances under which, an application may be made for the grant of a certificate under sub-section (1) and the conditions subject to which such certificate may be granted and providing for all other matters connected therewith.".

Amend-  
ment of  
sections  
198, 200,  
203, 204  
and 205.

**53.** In sections 198, 200, 203, 204 and 205 of the Income-tax Act, after the figures and letter "194D", the word, figures and letter ", section 194E" shall be inserted with effect from the 1st day of June, 1987.

Amend-  
ment of  
section  
199.

**54.** In section 199 of the Income-tax Act, with effect from the 1st day of June, 1987,—

(a) after the figures and letter "194D", the word, figures and letter ", section 194E" shall be inserted;

(b) for the words "made for the immediately following assessment year under this Act", the words "made under this Act for the assessment year for which such income is assessable" shall be substituted.

Amend-  
ment of  
section  
202.

**55.** In section 202 of the Income-tax Act, with effect from the 1st day of June, 1987,—

(a) for the words "levy tax", the words "recover tax" shall be substituted;

(b) after the figures and letter "194D", the word, figures and letter ", section 194E" shall be inserted.

Amend-  
ment of  
section  
203.

**56.** In section 203 of the Income-tax Act, for the portion beginning with the words "shall, at the time of credit" and ending with the words "dividend to a shareholder", the following shall be substituted with effect from the 1st day of June, 1987, namely:—

"shall, within such period as may be prescribed from the time of credit or payment of the sum, or, as the case may be, from the time of issue of a cheque or warrant for payment of any dividend to a shareholder".

**57.** In the Income-tax Act, after section 203, the following section shall be inserted with effect from the 1st day of June, 1987, namely:—

Insertion  
of new  
section  
203A.

“203A. (1) Every person deducting tax in accordance with the provisions of sections 192 to 194, section 194A, section 194B, section 194BB, section 194C, section 194D, section 194E and section 195, if he has not been allotted any tax-deduction account number, shall, within such time as may be prescribed, apply to the Income-tax Officer for the allotment of a tax-deduction account number.

(2) Where a tax-deduction account number has been allotted to a person, such person shall quote such number,—

(a) in all challans for the payment of any sum in accordance with the provisions of section 200;

(b) in all certificates issued in accordance with the provisions of section 203;

(c) in all the returns delivered in accordance with the provisions of sections 206, 206A and 206B to any income-tax authority; and

(d) in all other documents pertaining to such transactions as may be prescribed in the interests of revenue.”.

**58.** For section 206 of the Income-tax Act, the following section shall be substituted with effect from the 1st day of June, 1987, namely:—

Substitu-  
tion of  
new sec-  
tion for  
section  
206.

“206. The prescribed person in the case of every office of Government, the principal officer in the case of every company, the prescribed person in the case of every local authority or other public body or association, every private employer and every other person responsible for deducting tax under the foregoing provisions of this Chapter shall prepare, within the prescribed time after the end of each financial year, and deliver or cause to be delivered to the prescribed income-tax authority, such returns in such form and verified in such manner and setting forth such particulars as may be prescribed.”.

Persons  
deducting  
tax to  
furnish  
prescribed  
returns.

Substitution of new section for section 245A.

Definitions.

**59.** For section 245A of the Income-tax Act, the following section shall be substituted with effect from the 1st day of June, 1987, namely:—

'245A. In this Chapter, unless the context otherwise requires,—

(a) "Bench" means a Bench of the Settlement Commission;

(b) "case" means any proceeding under this Act for the assessment or re-assessment of any person in respect of any year or years, or by way of appeal or revision in connection with such assessment or re-assessment, which may be pending before an income-tax authority on the date on which an application under sub-section (1) of section 245C is made:

Provided that where any appeal or application for revision has been preferred after the expiry of the period specified for the filing of such appeal or application for revision under this Act and which has not been admitted, such appeal or revision shall not be deemed to be a proceeding pending within the meaning of this clause;

(c) "Chairman" means the Chairman of the Settlement Commission;

(d) "Income-tax authority" means an income-tax authority specified in section 116;

(e) "Member" means a Member of the Settlement Commission, and includes the Chairman and a Vice-Chairman;

(f) "Settlement Commission" means the Income-tax Settlement Commission constituted under section 245B;

(g) "Vice-Chairman" means a Vice-Chairman of the Settlement Commission.'

Amendment of section 245B.

**60.** In section 245B of the Income-tax Act, in sub-section (1), the brackets and words '(hereafter in this Chapter referred to as "the Settlement Commission")' shall be omitted with effect from the 1st day of June, 1987.

Insertion of new sections 245BA to 245BD.

**61.** After section 245B of the Income-tax Act, the following sections shall be inserted with effect from the 1st day of June, 1987, namely:—

Jurisdiction and powers of Settlement Commission.

"245BA. (1) Subject to the other provisions of this Chapter, the jurisdiction, powers and authority of the Settlement Commission may be exercised by Benches thereof.

(2) Subject to the other provisions of this section, a Bench shall be presided over by the Chairman or a Vice-Chairman and shall consist of two other Members.

(3) The Bench for which the Chairman is the Presiding Officer shall be the principal Bench and the other Benches shall be known as additional Benches.

(4) Notwithstanding anything contained in sub-sections (1) and (2), the Chairman may authorise the Vice-Chairman or other Member appointed to one Bench to discharge also the functions of the Vice-Chairman or, as the case may be, other Member of another Bench.

(5) Notwithstanding anything contained in the foregoing provisions of this section, and subject to any rules that may be made in this behalf, when one of the persons constituting a Bench (whether such person be the Presiding Officer or other Member of the Bench) is unable to discharge his functions owing to absence, illness or any other cause or in the event of the occurrence of any vacancy either in the office of the Presiding Officer or in the office of one or the other Members of the Bench, the remaining two persons may function as the Bench and if the Presiding Officer of the Bench is not one of the remaining two persons, the senior among the remaining persons shall act as the Presiding Officer of the Bench:

Provided that if at any stage of the hearing of any such case or matter, it appears to the Presiding Officer that the case or matter is of such a nature that it ought to be heard of by a Bench consisting of three Members, the case or matter may be referred by the Presiding Officer of such Bench to the Chairman for transfer to such Bench as the Chairman may deem fit.

(6) Subject to the other provisions of this Chapter, the places at which the principal Bench and the additional Benches shall ordinarily sit shall be such as the Central Government may, by notification in the Official Gazette, specify.

245BB. (1) In the event of the occurrence of any vacancy in the office of the Chairman by reason of his death, resignation or otherwise, the Vice-Chairman or, as the case may be, such one of the Vice-Chairmen as the Central Government may, by notification in the Official Gazette, authorise in this behalf, shall act as the Chairman until the date on which a new Chairman, appointed in accordance with the provisions of this Chapter to fill such vacancy, enters upon his office.

Vice-Chairman to act as Chairman or to discharge his functions in certain circumstances.

(2) When the Chairman is unable to discharge his functions owing to absence, illness or any other cause, the Vice-Chairman or, as the case may be, such one of the Vice-Chairmen as the Central Government may, by notification in the Official Gazette, authorise in this behalf, shall discharge the functions of the Chairman until the date on which the Chairman resumes his duties.

245BC. On the application of the assessee or the Commissioner and after notice to them, and after hearing such of them as he may desire to be heard, or on his own motion without such notice, the Chairman may transfer any case pending before one Bench, for disposal, to another Bench.

Power of Chairman to transfer cases from one Bench to another.

**Decision  
to be  
by  
majority.**

245BD. If the Members of a Bench differ in opinion on any point, the point shall be decided according to the opinion of the majority, if there is a majority, but if the Members are equally divided, they shall state the point or points on which they differ, and make a reference to the Chairman who shall either hear the point or points himself or refer the case for hearing on such point or points by one or more of the other Members of the Settlement Commission and such point or points shall be decided according to the opinion of the majority of the Members of the Settlement Commission who have heard the case, including those who first heard it.”.

**Amend-  
ment of  
section  
245C.**

62. In section 245C of the Income-tax Act, with effect from the 1st day of June, 1987,—

(i) in sub-section (1), for the proviso, the following proviso shall be substituted, namely:—

“Provided that no such application shall be made unless,—

(a) the assessee has furnished the return of income which he is or was required to furnish under any of the provisions of this Act; and

(b) the additional amount of income-tax payable on the income disclosed in the application exceeds fifty thousand rupees”,

(ii) for sub-sections (1B) and (1C), the following sub-sections shall be substituted, namely:—

“(1B) Where the income disclosed in the application relates to only one previous year,—

(i) if the applicant has not furnished a return in respect of the total income of that year (whether or not an assessment has been made in respect of the total income of that year), then, except in a case covered by clause (iii), tax shall be calculated on the income disclosed in the application as if such income were the total income;

(ii) if the applicant has furnished a return in respect of the total income of that year (whether or not an assessment has been made in pursuance of such return), tax shall be calculated on the aggregate of the total income returned and the income disclosed in the application as if such aggregate were the total income;

(iii) if the proceeding pending before the income-tax authority is in the nature of a proceeding for re-assessment of the applicant under section 147 or by way of appeal or revision in connection with such re-assessment, and the applicant has not furnished a return in respect of the total income of that year in the course of such proceeding for re-assessment, tax shall be calculated on the aggregate of the total income as assessed in the earlier proceeding for assessment under section 143 or section 144 or section 147 and the income disclosed in the application as if such aggregate were the total income.

(1C) The additional amount of income-tax payable in respect of the income disclosed in the application relating to the previous year referred to in sub-section (1B) shall be,—

(a) in a case referred to in clause (i) of that sub-section, the amount of tax calculated under that clause;

(b) in a case referred to in clause (ii) of that sub-section, the amount of tax calculated under that clause as reduced by the amount of tax calculated on the total income returned for that year;

(c) in a case referred to in clause (iii) of that sub-section, the amount of tax calculated under that clause as reduced by the amount of tax calculated on the total income assessed in the earlier proceeding for assessment under section 143 or section 144 or section 147.”.

**63.** In section 245D of the Income-tax Act, with effect from the 1st day of June, 1987,—

Amend-  
ment of  
section  
245D.

(a) after sub-section (4), the following sub-section shall be inserted, namely:—

“(5) Subject to the provisions of section 245BA, the materials brought on record before the Settlement Commission shall be considered by the Members of the concerned Bench before passing any order under sub-section (4) and, in relation to the passing of such order, the provisions of section 245BD shall apply.”;

(b) in sub-section (6), for the words “tax or penalty”, the words “tax, penalty or interest” shall be substituted;

(c) in sub-section (8), after the words “passed by the Settlement Commission”, the words, brackets and figures “and nothing contained in the proviso to sub-section (1) of section 186 shall apply to the cancellation of the registration of a firm required to be made in pursuance of any such directions as aforesaid” shall be inserted.

**64.** In section 245E of the Income-tax Act, for the proviso, the following proviso shall be substituted with effect from the 1st day of June, 1987, namely:—

Amend-  
ment of  
section  
245E.

“Provided that no proceeding shall be re-opened by the Settlement Commission under this section if the period between the end of the assessment year to which such a proceeding relates and the date of application for settlement under section 245C exceeds nine years.”.

**65.** In section 245F of the Income-tax Act, with effect from the 1st day of June, 1987,—

Amend-  
ment of  
section  
245F.

(a) in sub-section (3), the words “or by way of advance tax” shall be omitted;

(b) sub-sections (5) and (6) shall be omitted.

**Amend-  
ment of  
section  
245H.**

**66.** In section 245H of the Income-tax Act, with effect from the 1st day of June, 1987,—

(a) in sub-section (1), the following proviso shall be inserted at the end, namely:—

“Provided that no such immunity shall be granted by the Settlement Commission in cases where the proceedings for the prosecution for any such offence have been instituted before the date of receipt of the application under section 245C.”;

(b) after sub-section (1), the following sub-section shall be inserted, namely:—

“(1A) An immunity granted to a person under sub-section (1) shall stand withdrawn if such person fails to pay any sum specified in the order of settlement passed under sub-section (4) of section 245D within the time specified in such order or within such further time as may be allowed by the Settlement Commission, or fails to comply with any other condition subject to which the immunity was granted and thereupon the provisions of this Act shall apply as if such immunity had not been granted.”;

(c) in sub-section (2), the words “has not complied with the conditions subject to which the immunity was granted or that such person” shall be omitted.

**Insertion  
of new  
section  
245HA.**

**67.** After section 245H of the Income-tax Act, the following section shall be inserted with effect from the 1st day of June, 1987, namely:—

**“245HA.** (1) The Settlement Commission may, if it is of opinion that any person who made an application for settlement under section 245C has not co-operated with the Settlement Commission in the proceedings before it, send the case back to the Income-tax Officer who shall thereupon dispose of the case in accordance with the provisions of this Act as if no application under section 245C had been made.

(2) For the purposes of sub-section (1), the Income-tax Officer shall be entitled to use all the materials and other information produced by the assessee before the Settlement Commission or the results of the inquiry held or evidence recorded by the Settlement Commission in the course of the proceedings before it as if such materials, information, inquiry and evidence had been produced before the Income-tax Officer or held or recorded by him in the course of the proceedings before him.

(3) For the purposes of the time-limit under sections 149, 153, 154, 155 and 231 and for the purposes of payment of interest under sections 243 and 244, in a case referred to in sub-section (1), the period commencing on and from the date of the application to the Settlement Commission under section 245C and ending with the date of receipt by the Income-tax Officer of the order of the Settlement Commission sending the case back to the Income-tax Officer shall be excluded; and where the assessee is a firm, for the purposes

**Power  
of Settle-  
ment  
Com-  
mission  
to send  
a case  
back to  
the  
Income-  
tax  
Officer  
if the  
assessee  
does  
not co-  
operate.**

of the time-limit for cancellation of registration of the firm under sub-section (1) of section 186, the period aforesaid shall, likewise, be excluded.”.

**68.** In section 245K of the Income-tax Act, with effect from the 1st day of June, 1987,—

- (a) in clause (ii), the word “or” shall be added at the end;
- (b) after clause (ii), the following clause shall be inserted, namely:—

“(iii) the case of such person is sent back to the Income-tax Officer by the Settlement Commission under section 245HA.”.

**69.** Section 245M of the Income-tax Act shall be omitted with effect from the 1st day of June, 1987.

Amend-  
ment of  
section  
245K.

Omission  
of  
section  
245M.

**70.** In the Income-tax Act, after section 272B, the following section shall be inserted with effect from the 1st day of June, 1987, namely:—

“272BB. (1) If a person fails to comply with the provisions of section 203A, he shall, on an order passed by the Income-tax Officer, pay, by way of penalty, a sum which may extend to five thousand rupees.

(2) No order under sub-section (1) shall be passed unless the person on whom the penalty is proposed to be imposed is given an opportunity of being heard in the matter.”.

Insertion  
of new  
section  
272BB.

Penalty  
for  
failure  
to comply  
with  
the  
provisions  
of  
section  
203A.

**71.** In section 273B of the Income-tax Act, for the words, figures and letter “section 272B or”, the words, figures, letters and brackets “section 272B or sub-section (1) of section 272BB or” shall be substituted with effect from the 1st day of June, 1987.

Amend-  
ment of  
section  
273B.

**72.** Section 280ZA of the Income-tax Act, shall be omitted with effect from the 1st day of April, 1988.

Omission  
of  
section  
280ZA.

**73.** Sections 285 and 286 of the Income-tax Act shall be omitted with effect from the 1st day of June, 1987.

Omission  
of  
sections  
285 and  
286.

**74.** In section 293 of the Income-tax Act, the word “assessment” shall be omitted and shall be deemed to have been omitted with effect from the 1st day of March, 1987.

Amend-  
ment of  
section  
293.

**75.** In the Eleventh Schedule to the Income-tax Act, with effect from the 1st day of April, 1988,—

Amend-  
ment of  
Eleventh  
Schedule.

(a) in item 5, the following *Explanation* shall be inserted at the end, namely:—

*'Explanation.—"Blended flavouring concentrates" shall include, and shall be deemed always to have included, synthetic essences in any form.';*

(b) in item 22, in the *Explanation*, for the words “, for data processing and for transmission and reception of messages”, the words, brackets, figures and letters “and for data processing (not being computers within the meaning of section 32AB)” shall be substituted.

Conse-  
quential  
amend-  
ments.

76. The following amendments (being amendments of a consequential nature) shall be made in the Income-tax Act,—

(a) (i) in section 32A, in the *Explanation* below sub-section (2B), clause (b) shall be omitted;

(ii) in section 54E, in *Explanation 1* below sub-section (1), in clause (d), the *Explanation* shall be omitted;

(iii) in section 80L, in sub-section (1), in clause (ii), the *Explanation* shall be omitted;

(iv) in section 193, in the proviso, in clause (iib), the *Explanation* shall be omitted;

(b) with effect from the 1st day of June, 1987,—

(i) in section 272A, in sub-section (2), in clause (a), for the words, figures and letter “, section 285, section 285B or section 286”, the words, figures and letter “or section 285B” shall be substituted;

(ii) in the Fourth Schedule, in Part B,—

(1) for the figures and brackets “206(2)”, in the heading at the beginning, the figures “206” shall be substituted;

(2) in rule 7, the words, brackets and figure “sub-section (1) of” shall be omitted;

(c) with effect from the 1st day of April, 1988,—

(i) in section 2, in clause (18), in sub-clause (b), in item (B), in sub-item (c), for the words, brackets, letter and figures “where such subsidiary company fulfils the conditions laid down in clause (b) of section 108”, the words “if the whole of the share capital of such subsidiary company has been held by the parent company or by its nominees throughout the previous year” shall be substituted;

(ii) in clause (ii) of sub-section (4) of section 10A, in clause (i) of the *Explanation* below section 44C, in sub-section (2) of section 75, in clause (b) of sub-section (2) of section 77, in section 80, in sub-section (3) of section 139, in clause (iv)

of sub-section (2) of section 141A, in sub-clause (iv) of clause (b) of sub-section (1) of section 143, in sub-section (4) of section 155 and in section 157, for the words, brackets and figures "sub-section (1) of section 74", the words, brackets and figures "sub-section (1) or sub-section (3) of section 74" shall be substituted;

(iii) in section 41, in sub-section (5), the words 'or under the head "Capital gains"' shall be omitted;

(iv) in section 73, in the *Explanation* occurring at the end, for the words, brackets and figures "other than an investment company, as defined in clause (ii) of section 109", the words 'other than a company whose gross total income consists mainly of income which is chargeable under the heads "Interest on securities", "Income from house property", "Capital gains" and "Income from other sources"' shall be substituted;

(v) in section 155, in sub-section (10A), for the words "capital asset, not being a short-term capital asset", the words "long-term capital asset" shall be substituted;

(vi) in section 236A,—

(1) for the words, brackets and figures "In the case of an institution or fund referred to in clause (iii) of sub-section (2) of section 104", the words "Where seventy-five per cent. of the share capital of any company is throughout the previous year beneficially held by an institution or fund established in India for a charitable purpose the income from dividend whereof is exempt under section 11" shall be substituted;

(2) for the words "by such a company as is referred to in the said clause", the words "by such company" shall be substituted;

(vii) in section 246, in sub-section (2), in clause (a), the words and figures "or an order under section 104, made against the assessee, being a company" shall be omitted;

(viii) in section 280ZB, in *Explanation* 2, clause (a) shall be omitted.

### W~~e~~alth-tax

27 of 1957.

77. In section 2 of the Wealth-tax Act, 1957 (hereinafter referred to as the Wealth-tax Act), in clause (m), the following *Explanation* shall be inserted at the end, with effect from the 1st day of April, 1988, namely:—

Amend-  
ment of  
section 2.

"*Explanation*.—A building or part thereof referred to in clause (iii), clause (iiia) or clause (iiib) of section 27 of the Income-tax Act shall be includable in the net wealth of the person who is deemed under the said clause to be the owner of that building or part thereof;"

Amend-  
ment of  
section 5.

78. In section 5 of the Wealth-tax Act, in sub-section (1), after clause (xxva), the following clause shall be inserted with effect from the 1st day of April, 1988, namely:—

“(xxvb) any deposits made under the National Savings Scheme referred to in section 80CCA of the Income-tax Act;”.

79. For section 22A of the Wealth-tax Act, the following section shall be substituted with effect from the 1st day of June, 1987, namely:—

Substitu-  
tion of  
new sec-  
tion for  
section  
22A.

Defini-  
tions.

‘22A. In this Chapter, unless the context otherwise requires,—

(a) “Bench” means a Bench of the Settlement Commission;

(b) “case” means any proceeding under this Act for the assessment or re-assessment of any person in respect of any year or years, or by way of appeal or revision in connection with such assessment or re-assessment, which may be pending before any Wealth-tax authority on the date on which an application under sub-section (1) of section 22C is made:

Provided that where any appeal or application for revision has been preferred after the expiry of the period specified for the filing of such appeal or application for revision under this Act and which has not been admitted, such appeal or revision shall not be deemed to be a proceeding pending within the meaning of this clause;

(c) “Chairman” means the Chairman of the Settlement Commission;

(d) “Member” means a Member of the Settlement Commission, and includes the Chairman and a Vice-Chairman;

(e) “Settlement Commission” means the Income-tax Settlement Commission constituted under section 245B of the Income-tax Act;

(f) “Vice-Chairman” means a Vice-Chairman of the Settlement Commission;

(g) “Wealth-tax authority” means an income-tax authority specified in section 118 of the Income-tax Act who is treated as a Wealth-tax authority under section 8.

Amend-  
ment of  
section  
22B.

80. In section 22B of the Wealth-tax Act, in sub-section (1), the brackets and words ‘(hereafter in this Chapter referred to as “the Settlement Commission”)’ shall be omitted with effect from the 1st day of June, 1987.

Insertion  
of new  
sections  
22BA to  
22BD.

81. After section 22B of the Wealth-tax Act, the following sections shall be inserted with effect from the 1st day of June, 1987, namely:—

**"22BA.** (1) Subject to the other provisions of this Chapter, the jurisdiction, powers and authority of the Settlement Commission may be exercised by Benches thereof.

(2) Subject to the other provisions of this section, a Bench shall be presided over by the Chairman or a Vice-Chairman and shall consist of two other Members.

(3) The Bench for which the Chairman is the Presiding Officer shall be the principal Bench and the other Benches shall be known as additional Benches.

(4) Notwithstanding anything contained in sub-sections (1) and (2), the Chairman may authorise the Vice-Chairman or other Member appointed to one Bench to discharge also the functions of the Vice-Chairman or, as the case may be, other Member of another Bench.

(5) Notwithstanding anything contained in the foregoing provisions of this section, and subject to any rules that may be made in this behalf, when one of the persons constituting a Bench (whether such person be the Presiding Officer or other Member of the Bench) is unable to discharge his functions owing to absence, illness or any other cause or in the event of the occurrence of any vacancy either in the office of the Presiding Officer or in the office of one or the other Members of the Bench, the remaining two persons may function as the Bench and if the Presiding Officer of the Bench is not one of the remaining two persons, the senior among the remaining persons shall act as the Presiding Officer of the Bench:

Provided that if at any stage of the hearing of any case or matter, it appears to the Presiding Officer that the case or matter is of such a nature that it ought to be heard by a Bench consisting of three Members, the case or matter may be referred by the Presiding Officer of such Bench to the Chairman for transfer to such Bench as the Chairman may deem fit.

(6) Subject to the other provisions of this Chapter, the places at which the principal Bench and the additional Benches shall ordinarily sit, shall be such as the Central Government may, by notification in the Official Gazette, specify.

**22BB.** (1) In the event of the occurrence of any vacancy in the office of the Chairman by reason of his death, resignation or otherwise, the Vice-Chairman or, as the case may be, such one of the Vice-Chairman as the Central Government may, by notification in the Official Gazette, authorise in this behalf, shall act as the Chairman until the date on which a new Chairman, appointed in accordance with the provisions of this Chapter to fill such vacancy, enters upon his office.

(2) When the Chairman is unable to discharge his functions owing to absence, illness or any other cause, the Vice-Chairman or, as the case may be, such one of the Vice-Chairman as the Central

Jurisdiction and powers of Settlement Commission,

Vice-Chairman to act as Chairman or to discharge his functions in certain circumstances.

Government may, by notification in the Official Gazette, authorise in this behalf, shall discharge the functions of the Chairman until the date on which the Chairman resumes his duties.

**Power of Chairman to transfer cases from one Bench to another.**

22BC. On the application of the assessee or the Commissioner and after notice to them, and after hearing such of them as may desire to be heard, or on his own motion without such notice, the Chairman may transfer any case pending before one Bench, for disposal, to another Bench.

**Decision to be by majority.**

22BD. If the Members of a Bench differ in opinion on any point, the point shall be decided according to the opinion of the majority, if there is a majority, but if the Members are equally divided, they shall state the point or points on which they differ, and make a reference to the Chairman who shall either hear the point or points himself or refer the case for hearing on such point or points by one or more of the other Members of the Settlement Commission and such point or points shall be decided according to the opinion of the majority of the Members of the Settlement Commission who have heard the case, including those who first heard it.”.

**Amendment of section 22C.**

82. In section 22C of the Wealth-tax Act, with effect from the 1st day of June, 1987,—

(i) in sub-section (1), the following proviso shall be inserted at the end, namely:—

“Provided that no such application shall be made unless the assessee has furnished the return of wealth which he is or was required to furnish under any of the provisions of this Act.”;

(ii) for sub-sections (1B) and (1C), the following sub-sections shall be substituted, namely:—

“(1B) Where the wealth disclosed in the application relates to only one previous year,—

(i) if the applicant has not furnished a return in respect of the net wealth of that year (whether or not an assessment has been made in respect of the net wealth of that year), then, except in a case covered by clause (iii), wealth-tax shall be calculated on the wealth disclosed in the application as if such wealth were the net wealth;

(ii) if the applicant has furnished a return in respect of the net wealth of that year (whether or not an assessment has been made in pursuance of such return), wealth-tax shall be calculated on the aggregate of the net wealth returned and the wealth disclosed in the application as if such aggregate were the net wealth;

(iii) if the proceeding pending before the wealth-tax authority is in the nature of a proceeding for re-assessment of the applicant under section 17 or by way of appeal or revision in connection with such re-assessment, and the

applicant has not furnished a return in respect of the net wealth of that year in the course of such proceeding for re-assessment, wealth-tax shall be calculated on the aggregate of the net wealth as assessed in the earlier proceeding for assessment under section 16 or section 17 and the wealth disclosed in the application as if such aggregate were the net wealth.

(1C) The additional amount of wealth-tax payable in respect of the wealth disclosed in the application relating to the previous year referred to in sub-section (1B) shall be,—

(a) in a case referred to in clause (i) of that sub-section, the amount of wealth-tax calculated under that clause;

(b) in a case referred to in clause (ii) of that sub-section, the amount of wealth-tax calculated under that clause as reduced by the amount of wealth-tax calculated on the net wealth returned for that year;

(c) in a case referred to in clause (iii) of that sub-section, the amount of wealth-tax calculated under that clause as reduced by the amount of wealth-tax calculated on the net wealth assessed in the earlier proceeding for assessment under section 16 or section 17.”.

**83.** In section 22D of the Wealth-tax Act, with effect from the 1st day of June, 1987,—

Amendment  
of section  
22D.

(a) after sub-section (4), the following sub-section shall be inserted, namely:—

“(5) Subject to the provisions of section 22BA, the materials brought on record before the Settlement Commission shall be considered by the Members of the concerned Bench before passing any order under sub-section (4) and, in relation to the passing of such order, the provisions of section 22BD shall apply.”;

(b) in sub-section (6), for the words “tax or penalty”, the words “tax, penalty or interest” shall be substituted.

**84.** In section 22E of the Wealth-tax Act, for the proviso, the following proviso shall be substituted with effect from the 1st day of June, 1987, namely:—

Amendment  
of section  
22E.

“Provided that no proceeding shall be re-opened by the Settlement Commission under this section if the period between the end of the assessment year to which such a proceeding relates and the date of application for settlement under section 22C exceeds nine years.”.

**85.** In section 22F of the Wealth-tax Act, sub-sections (5) and (6) shall be omitted with effect from the 1st day of June, 1987.

Amendment  
of section  
22F.

**86.** In section 22H of the Wealth-tax Act, with effect from the 1st day of June, 1987,—

Amendment  
of section  
22H.

(a) in sub-section (1), the following proviso shall be inserted at the end, namely:—

“Provided that no such immunity shall be granted by the Settlement Commission in cases where the proceedings for the

prosecution for any such offence have been instituted before the date of receipt of the application under section 22C.”;

(b) after sub-section (1), the following sub-section shall be inserted, namely:—

“(1A) An immunity granted to a person under sub-section (1) shall stand withdrawn if such person fails to pay any sum specified in the order of settlement passed under sub-section (4) of section 22D within the time specified in such order or within such further time as may be allowed by the Settlement Commission, or fails to comply with any other condition subject to which the immunity was granted and thereupon the provisions of this Act shall apply as if such immunity had not been granted.”;

(c) in sub-section (2), the words “has not complied with the conditions subject to which the immunity was granted or that such person” shall be omitted.

Insertion of  
new section  
22HA.

87. After section 22H of the Wealth-tax Act, the following section shall be inserted with effect from the 1st day of June, 1987, namely:—

Power of  
Settle-  
ment  
Commission  
to send a  
case  
back to the  
Wealth-tax  
Officer if  
the  
assesse  
does  
not co-  
operate.

“22HA. (1) The Settlement Commission may, if it is of opinion that any person who made the application for settlement under section 22C has not co-operated with the Settlement Commission in the proceedings before it, send the case back to the Wealth-tax Officer who shall, thereupon, dispose of the case in accordance with the provisions of this Act as if no application under section 22C had been made.

(2) For the purposes of sub-section (1), the Wealth-tax Officer shall be entitled to use all the materials and other information produced by the assessee before the Settlement Commission or the results of the inquiry held or evidence recorded by the Settlement Commission in the course of the proceedings before it as if such materials, information, inquiry and evidence had been produced before the Wealth-tax Officer or held or recorded by him in the course of the proceedings before him.

(3) For the purposes of the time-limit under sections 17A, 32 and 35 and for the purposes of payment of interest under section 34A, in a case referred to in sub-section (1), the period commencing on and from the date of the application to the Settlement Commission under section 22C and ending with the date of receipt by the Wealth-tax Officer of the order of the Settlement Commission sending the case back to the Wealth-tax Officer, shall be excluded.”.

Amend-  
ment  
of section  
22K.

88. In section 22K of the Wealth-tax Act, with effect from the 1st day of June, 1987,—

(a) at the end of clause (ii), the word “or” shall be inserted;

(b) after clause (ii), the following clause shall be inserted, namely:—

“(iii) the case of any such person is sent back to the Wealth-tax Officer by the Settlement Commission under section 22HA.”.

89. Section 22M of the Wealth-tax Act shall be omitted with effect from the 1st day of June, 1987.

Omission of section 22M.

90. In section 31 of the Wealth-tax Act, in sub-section (2A),—

(a) in the opening portion,—

Amend-  
ment  
of section  
31.

(i) for the words "the Board may", the words "the Commissioner may" shall be substituted;

(ii) for the words "interest payable by an assessee", the words "interest paid or payable by an assessee" shall be substituted and shall be deemed to have been substituted with effect from the 1st day of October, 1984;

(iii) for the words ", on the recommendation made by the Commissioner in this behalf, it is satisfied that", the words "he is satisfied that" shall be substituted;

(b) for clauses (i) and (ii), the following clauses shall be substituted and shall be deemed to have been substituted with effect from the 1st day of October, 1984, namely:—

"(i) payment of such amount has caused or would cause genuine hardship to the assessee;

(ii) default in the payment of the amount on which interest has been paid or was payable under the said sub-section was due to circumstances beyond the control of the assessee; and".

91. In section 43 of the Wealth-tax Act, for the words "any assessment made", the words "any order made" shall be substituted and shall be deemed to have been substituted with effect from the 1st day of March, 1987.

Amendment  
of section  
43.  
2.

### *Gift-tax*

18 of 1958.

92. In section 2 of the Gift-tax Act, 1958 (hereinafter referred to as the Gift-tax Act), in clause (xii), the following *Explanation* shall be inserted at the end, with effect from the 1st day of April, 1988, namely:—

Amendment  
of section  
43.

"*Explanation*.—A transfer of any building or part thereof, referred to in clause (iii), clause (iiia) or clause (iiib) of section 27 of the Income-tax Act by the person who is deemed under the said clause to be the owner thereof made voluntarily and without consideration in money or money's worth, shall be deemed to be a gift made by such person;".

93. In section 42 of the Gift-tax Act, for the words "any assessment made", the words "any order made" shall be substituted and shall be deemed to have been substituted with effect from the 1st day of March, 1987.

Amend-  
ment  
of section  
43.

## CHAPTER IV

## INDIRECT TAXES

*Customs*

Amendment  
of Act 51  
of 1975.

94. The Customs Tariff Act, 1975 (hereinafter referred to as the Customs Tariff Act), shall be amended in the manner specified in the Second Schedule.

Auxiliary  
duties of  
customs.

95. (1) In the case of goods mentioned in the First Schedule to the Customs Tariff Act, or in that Schedule, as amended from time to time, there shall be levied and collected as an auxiliary duty of customs an amount equal to fifty per cent. of the value of the goods as determined in accordance with the provisions of section 14 of the Customs Act, 1962 (hereinafter referred to as the Customs Act).

52 of 1962.

(2) Sub-section (1) shall cease to have effect after the 31st day of March, 1988, except as respects things done or omitted to be done before such cesser; and section 6 of the General Clauses Act, 1897, shall apply upon such cesser as if the said sub-section had then been repealed by a Central Act.

10 of 1897.

(3) The auxiliary duties of customs referred to in sub-section (1) shall be in addition to any duties of customs chargeable on such goods under the Customs Act, or any other law for the time being in force.

(4) The provisions of the Customs Act and the rules and regulations made thereunder, including those relating to refunds and exemptions from duties, shall, as far as may be, apply in relation to the levy and collection of the auxiliary duties of customs leviable under this section in respect of any goods as they apply in relation to the levy and collection of the duties of customs on such goods under that Act or those rules and regulations, as the case may be.

*Excise*

Amendment  
of Act 1  
of 1944.

96. In section 37 of the Central Excises and Salt Act, 1944 (hereinafter referred to as the Central Excises Act), in sub-section (2), after clause (xvi), the following clause shall be inserted, namely:—

“(xvib) provide for the giving of credit of sums of money with respect to raw materials used in the manufacture of excisable goods;”.

Amend-  
ment  
of Act 8  
of 1986.

97. The Central Excise Tariff Act, 1985 (hereinafter referred to as the Central Excise Tariff Act), shall be amended in the manner specified in the Third Schedule.

Special  
duties of  
excise.

98. (1) In the case of goods chargeable with a duty of excise under the Central Excises Act, as amended from time to time, read with any notification for the time being in force issued by the Central Government in relation to the duty so chargeable (not being a notification providing for any exemption for giving credit with respect to, or reduction of duty of excise under the said Act on such goods equal to, any duty of excise under the said Act, or the additional duty under section 3 of the Customs Tariff Act, already paid on the raw material or component parts used in the production or manufacture of such goods), there shall be levied and collected a special duty of excise equal to ten per cent. of the amount so chargeable on such goods.

10 of 1897

(2) Sub-section (1) shall cease to have effect after the 31st day of March, 1988, except as respects things done or omitted to be done before such cesser; and section 6 of the General Clauses Act, 1897, shall apply upon such cesser as if the said sub-section had then been repealed by a Central Act.

(3) The special duties of excise referred to in sub-section (1) shall be in addition to any duties of excise chargeable on such goods under the Central Excises Act, or any other law for the time being in force.

(4) The provisions of the Central Excises Act, and the rules made thereunder, including those relating to refunds and exemptions from duties, shall, as far as may be, apply in relation to the levy and collection of the special duties of excise leviable under this section in respect of any goods as they apply in relation to the levy and collection of the duties of excise on such goods under that Act or those rules, as the case may be.

99. The Additional Duties of Excise (Goods of Special Importance) Act, 1957 (hereinafter referred to as the Additional Duties of Excise Act), shall be amended in the manner specified in the Fourth Schedule.

Amendment  
of Act  
58 of  
1957.

## CHAPTER V

### FOREIGN EXCHANGE CONSERVATION (TRAVEL) TAX

100. (1) This Chapter extends to the whole of India.

Extent and  
commencement.

(2) It shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint.

101. In this Chapter, unless the context otherwise requires,—

Definitions.

(a) "authorised dealer" means a person for the time being authorised under section 6 of the Foreign Exchange Regulation Act, 1973 to deal in foreign exchange;

(b) "dealing", in relation to foreign currency, means purchasing or selling foreign currency;

(c) "foreign currency" means any currency other than Indian currency in the form of notes, coins or travellers cheques;

(d) "foreign exchange" means foreign currency;

(e) "foreign travel" means a travel, the whole or any part of which is outside India;

46 of 1973.

(f) "money changer" means a person for the time being authorised under section 7 of the Foreign Exchange Regulation Act, 1973 to deal in foreign currency;

46 of 1973.

(g) words and expressions used but not defined in this Chapter shall have the meanings assigned to them in the Foreign Exchange Regulation Act, 1973.

46 of 1973.

**Foreign exchange conservation (travel) tax.**

**102.** (1) With effect from the date of commencement of this Chapter, there shall be levied on all foreign exchange released for any foreign travel by any person, a tax [hereafter in this Chapter referred to as the foreign exchange conservation (travel) tax] at the rate of fifteen per cent. of the rupee equivalent of the amount of foreign exchange released.

(2) In accordance with the rules made under this Chapter, the foreign exchange conservation (travel) tax shall be collected by the authorised dealer or money changer and paid to the credit of the Central Government.

**Power to exempt.**

**103.** Notwithstanding anything contained in this Chapter, the Central Government may, by notification in the Official Gazette, and subject to such conditions and limitations as may be specified therein, exempt wholly or to such extent as may be specified in the notification, any release of foreign exchange for any foreign travel or class or category of foreign travel from the payment of tax leviable under this Chapter if that Government is satisfied that it is necessary or expedient so to do, having regard to the purposes of the foreign travel and any other special circumstances.

**Penalties.**

**104.** (1) Every person intending to undertake a foreign travel and holding foreign exchange in relation to which the tax payable under this Chapter has not been paid shall, in addition to his liability to pay the tax, be liable to pay a penalty not exceeding twice the amount of the tax he would have paid under the provisions of this Chapter.

(2) Any penalty under this section may be adjudged, collected and paid to the credit of the Central Government by such authority and in such manner as may be specified in the rules made under this Chapter.

**Protection of action taken in good faith.**

**105.** No suit or other legal proceeding shall lie against the Central Government and no suit or prosecution or other legal proceeding shall lie against any officer of the Central Government, or of the State Government or against any authorised dealer or money changer for anything in good faith done or intended to be done in pursuance of this Chapter or the rules made thereunder.

**Power to make rules.**

**106.** (1) The Central Government may, by notification in the Official Gazette, make rules for carrying out the purposes of this Chapter.

(2) In particular, and without prejudice to the generality of the foregoing power, such rules may provide for—

(a) the collection of the foreign exchange conservation (travel) tax, the authorities by whom adjudication of penalties or other functions under this Chapter shall be discharged, the manner in which such tax or penalties due under this Chapter shall be payable, the manner in which such tax or penalties shall be collected and paid to the credit of the Central Government and the procedure for claiming refund of any amount paid under this Chapter;

- (b) the procedure for adjudication of penalties;
- (c) appeals against orders made under this Chapter, the manner in which and the time within which such appeals may be preferred and the fees payable therefor;
- (d) the returns and other particulars and information which may be required to be furnished for the purposes of this Chapter, the persons or authorities by or to whom or which, and the intervals at which, such returns, particulars and information shall be furnished;
- (e) any other matter which is to be, or may be, provided for by rules under this Chapter.

**107.** Every rule made under this Chapter and every notification issued under section 103 shall be laid as soon as may be after it is made or issued before each House of Parliament while it is in session for a total period of thirty days which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree in making any modification in the rule or notification or both Houses agree that the rule should not be made or the notification should not be issued, the rule or notification shall thereafter have effect only in such modified form or be of no effect, as the case may be; so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that rule or notification.

Rules and notifications to be laid before Parliament.

## CHAPTER VI

### MISCELLANEOUS

**108.** In the Schedule to the Oil Industry (Development) Act, 1974,—

Amendment of Act 47 of 1974.

- (a) in Sl. No. 1 relating to crude oil, for the entry in column 3, the entry "Rupees one thousand per tonne." shall be substituted;
- (b) in Sl. No. 2 relating to natural gas, for the entry in column 3, the entry "Rupees three hundred per thousand cubic metres." shall be substituted.

**109.** In the Customs and Excise Revenues Appellate Tribunal, Act, 1986, in section 5, after sub-section (3), the following *Explanation* shall be inserted, namely:

Amendment of Act 62 of 1986.

*"Explanation.—For the purposes of sub-section (3), in computing the period during which a person has been a member of the Indian Customs and Central Excise Service, Group 'A', there shall be included any period during which the person has been a member of the Indian Customs Service Class I, or the Central Excise Service Class I, as the case may be, of the Indian Revenue Service immediately before the constitution of the Indian Customs and Central Excise Service, Group 'A'."*

### *Declaration under the Provisional Collection of Taxes Act, 1931.*

16 of 1931.

It is hereby declared that it is expedient in the public interest that the provisions of clauses 94, 95, 97, 98, and 108 of this shall be immediate effect under the provisional Collection of Taxes Act, 1931.

## THE FIRST SCHEDULE

(See section 2)

### PART I

#### INCOME-TAX

##### *Paragraph A*

###### *Sub-Paragraph I*

In the case of every individual or Hindu undivided family or unregistered firm or other association of persons or body of individuals, whether incorporated or not, or every artificial juridical person referred to in sub-clause (vii) of clause (31) of section 2 of the Income-tax Act, not being a case to which Sub-Paragraph II of this Paragraph or any other Paragraph of this Part applies,—

###### *Rates of income-tax*

(1) where the total income does not exceed Rs. 18,000.	<i>Nil;</i>
(2) where the total income exceeds Rs. 18,000 but does not exceed Rs. 25,000	25 per cent. of the amount by which the total income exceeds Rs. 18,000;
(3) where the total income exceeds Rs. 25,000 but does not exceed Rs. 50,000	Rs. 1,750 plus 30 per cent. of the amount by which the total income exceeds Rs. 25,000;
(4) where the total income exceeds Rs. 50,000 but does not exceed Rs. 1,00,000	Rs. 9,250 plus 40 per cent. of the amount by which the total income exceeds Rs. 50,000;
(5) where the total income exceeds Rs. 1,00,000	Rs. 29,250 plus 50 per cent. of the amount by which the total income exceeds Rs. 1,00,000.

###### *Sub-Paragraph II*

In the case of every Hindu undivided family which at any time during the previous year has at least one member whose total income of the previous year relevant to the assessment year commencing on the 1st day of April, 1987 exceeds Rs. 18,000,—

###### *Rates of income-tax*

(1) where the total income does not exceed Rs. 12,000	<i>Nil;</i>
(2) where the total income exceeds Rs. 12,000 but does not exceed Rs. 20,000	25 per cent. of the amount by which the total income exceeds Rs. 12,000;
(3) where the total income exceeds Rs. 20,000 but does not exceed Rs. 40,000	Rs. 2,000 plus 30 per cent. of the amount by which the total income exceeds Rs. 20,000;
(4) where the total income exceeds Rs. 40,000 but does not exceed Rs. 60,000	Rs. 8,000 plus 40 per cent. of the amount by which the total income exceeds Rs. 40,000;
(5) where the total income exceeds Rs. 60,000 but does not exceed Rs. 1,00,000	Rs. 16,000 plus 50 per cent. of the amount by which the total income exceeds Rs. 60,000;
(6) where the total income exceeds Rs. 1,00,000	Rs. 36,000 plus 55 per cent. of the amount by which the total income exceeds Rs. 1,00,000.

*Paragraph B*

In the case of every co-operative society,—

*Rates of income-tax*

- |  |   |
|--|---|
| (1) where the total income does not exceed Rs. 10,000                        | 15 per cent. of the total income;   |
| (2) where the total income exceeds Rs. 10,000 but does not exceed Rs. 20,000 | Rs. 1,500 plus 25 per cent. of the amount by which the total income exceeds Rs. 10,000; |
| (3) where the total income exceeds Rs. 20,000                                | Rs. 4,000 plus 40 per cent. of the amount by which the total income exceeds Rs. 20,000. |

*Paragraph C**Sub-Paragraph I*

In the case of every registered firm, not being a case to which Sub-Paragraph II of this Paragraph applies,—

*Rates of income-tax*

- |  |  |
|--|--|
| (1) where the total income does not exceed Rs. 10,000                          | <i>Nil</i> ;   |
| (2) where the total income exceeds Rs. 10,000 but does not exceed Rs. 25,000   | 5 per cent. of the amount by which the total income exceeds Rs. 10,000;                    |
| (3) where the total income exceeds Rs. 25,000 but does not exceed Rs. 50,000   | Rs. 750 plus 7 per cent. of the amount by which the total income exceeds Rs. 25,000;       |
| (4) where the total income exceeds Rs. 50,000 but does not exceed Rs. 1,00,000 | Rs. 2,500 plus 15 per cent. of the amount by which the total income exceeds Rs. 50,000;    |
| (5) where the total income exceeds Rs. 1,00,000                                | Rs. 10,000 plus 24 per cent. of the amount by which the total income exceeds Rs. 1,00,000. |

*Sub-Paragraph II*

In the case of every registered firm whose total income includes income derived from a profession carried on by it and the income so included is not less than fifty-one per cent. of such total income,—

*Rates of income-tax*

- |  |   |
|--|---|
| (1) where the total income does not exceed Rs. 10,000                          | <i>Nil</i> ;  |
| (2) where the total income exceeds Rs. 10,000 but does not exceed Rs. 25,000   | 4 per cent. of the amount by which the total income exceeds Rs. 10,000;                   |
| (3) where the total income exceeds Rs. 25,000 but does not exceed Rs. 50,000   | Rs. 600 plus 7 per cent. of the amount by which the total income exceeds Rs. 25,000;      |
| (4) where the total income exceeds Rs. 50,000 but does not exceed Rs. 1,00,000 | Rs. 2,350 plus 13 per cent. of the amount by which the total income exceeds Rs. 50,000;   |
| (5) where the total income exceeds Rs. 1,00,000                                | Rs. 8,850 plus 22 per cent. of the amount by which the total income exceeds Rs. 1,00,000. |

*Explanation.*—For the purposes of this Paragraph, “registered firm” includes an unregistered firm assessed as a registered firm under clause (b) of section 138 of the Income-tax Act.

*Paragraph D*

In the case of every local authority,—

*Rate of income-tax*

On the whole of the total income      50 per cent.

*Paragraph E*

In the case of a company,—

*Rates of income-tax*

I. In the case of a domestic company,—

(1) where the company is a company in which the public are substantially interested      50 per cent. of the total income:

(2) where the company is not a company in which the public are substantially interested—

(i) in the case of a trading company or an investment company      60 per cent. of the total income;

(ii) in any other case      55 per cent. of the total income.

In the case of a company other than a domestic company,—

(i) on so much of the total income as consists of—

(a) royalties received from Government or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern after the 31st day of March, 1961 but before the 1st day of April, 1976, or

(b) fees for rendering technical services received from Government or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern after the 29th day of February, 1964 but before the 1st day of April, 1976,

and where such agreement has, in either case, been approved by the Central Government      50 per cent.;

(ii) on the balance, if any, of the total income      65 per cent.

**PART II****RATES FOR DEDUCTION OF TAX AT SOURCE IN CERTAIN CASES**

In every case in which under the provisions of sections 193, 194, 194A, 194B, 194BB, 194D, 194E and 195 of the Income-tax Act, tax is to be deducted at the rates in force, deduction shall be made from the income subject to deduction at the following rates:—

	Rate of income-tax
1. In the case of a person other than a company—	
(a) where the person is resident in India—	
(i) on income by way of interest other than "Interest on securities"	10 per cent.;

Rate of income-tax	
(ii) on income by way of winnings from lotteries and crossword puzzles	40 per cent.;
(iii) on income by way of winnings from horse races	40 per cent.;
(iv) on income by way of insurance commission	10 per cent.;
(v) on income by way of interest payable on	10 per cent.;
(A) any security, other than a tax-free security, of the Central or a State Government;	
(B) any debentures or other securities for money issued by or on behalf of any local authority or a corporation established by a Central, State or Provincial Act; ;	
(C) any debentures issued by a company where such debentures are listed on a recognised stock exchange in India in accordance with the Securities Contracts (Regulation) Act, 1956 and any rules made thereunder;	
(vi) on income by way of rent—	
(A) where the rent payable exceeds Rs. 36,000 but does not exceed Rs. 48,000	10 per cent.;
(B) on the balance, if any	20 per cent.;
(vii) on income by way of payments received from the Central Government or a State Government or any local authority or any corporation or body established by or under a Central, State or Provincial Act or any company, for supply of goods	5 per cent.;
(viii) on any other income (excluding interest payable on a tax-free security)	20 per cent.;
(b) where the person is not resident in India—	
(i) in the case of a non-resident Indian—	
(A) on investment income and long-term capital gains	20 per cent.;
(B) on income by way of interest payable on a tax-free security	15 per cent.;
(C) on income by way of rent—	
(1) where the rent payable exceeds Rs. 36,000 but does not exceed Rs. 48,000	10 per cent., or income-tax in respect of the income at the rates prescribed in Sub-Paragraph I of Paragraph A of Part III of this Schedule, if such income had been the total income, whichever is higher;
(2) on the balance, if any	20 per cent., or income-tax in respect of the income at the rates prescribed in Sub-Paragraph I of Paragraph A of Part III of this Schedule, if such income had been the total income,

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 Rate of income-tax
 

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whichever is higher;

(D) on income by way of payments received from the Central Government or a State Government or any local authority or any corporation or body established by or under a Central, State or Provincial Act or any company, for supply of goods

5 per cent.,  
or  
income-tax in respect of the income at the rates prescribed in Sub-Paragraph I of Paragraph A of Part III of this Schedule, if such income had been the total income,

whichever is higher;

(E) on the whole of other income

income-tax at 30 per cent. of the amount of the income,  
or  
income-tax in respect of the income at the rates prescribed in Sub-Paragraph I of Paragraph A of Part III of this Schedule, if such income had been the total income,

whichever is higher;

(II) in the case of any other person—

(A) on income by way of interest payable on a tax-free security

15 per cent.;

(B) on income by way of rent—

(i) where the rent payable exceeds Rs. 36,000 but does not exceed Rs. 48,000

10 per cent.,  
or

income-tax in respect of the income at the rates prescribed in Sub-Paragraph I of Paragraph A of Part III of this Schedule, if such income had been the total income,

whichever is higher;

(2) on the balance, if any

20 per cent.,  
or

income-tax in respect of the income at the rates prescribed in Sub-Paragraph I of Paragraph A of Part III of this Schedule, if such income had been the total income,

whichever is higher;

(C) on income by way of payments received from the Central Government or State Government or any local authority or any corporation or body established by or under a Central, State or Provincial Act or any company, for supply of goods

5 per cent.,  
or  
income-tax in respect of the income at the rates prescribed in Sub-Paragraph I of Paragraph A of Part III of this Schedule, if such income had been the total income,

whichever is higher;

(D) on the whole of the other income

income-tax at 30 per cent. of the amount of the income,  
or

income-tax in respect of the income at the rates prescribed in Sub-Paragraph I of Paragraph A of Part III of this Schedule, if such income had been the total income,

whichever is higher;

2. In the case of a company—

(a) where the company is a domestic company—

20 per cent.;

(i) on income by way of interest other than "interest on securities"

## Rate of income-tax

(ii) on income by way of fees for professional services	25 per cent.;
(iii) on income by way of royalty	25 per cent.;
(iv) on income by way of fees for technical services	25 per cent.;
(v) on income by way of commission or brokerage (excluding insurance commission)	25 per cent.;
(vi) on income by way of rent—	
(A) where the rent payable exceeds Rs. 36,000 but does not exceed Rs. 48,000	10 per cent.;
(B) on the balance, if any	20 per cent.;
(vii) on income by way of payments received from the Central Government or a State Government or any local authority or any corporation or body established by or under a Central, State or Provincial Act or any company for supply of goods	5 per cent.;
(viii) on any other income (excluding interest-payable on tax-free security)	21.5 per cent.;
(b) where the company is not a domestic company—	
(i) on income by way of dividends payable by any domestic company	25 per cent.;
(ii) on income by way of interest payable by Government or an Indian concern on moneys borrowed or debt incurred by Government or the Indian concern in foreign currency	25 per cent.;
(iii) on income by way of royalty payable by Government or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern after the 31st day of March, 1976, where such royalty is in consideration for the transfer of all or any rights (including the granting of a licence) in respect of copyright in any book on a subject referred to in the proviso to sub-section (1A) of section 115A of the Income-tax Act, to the Indian concern	30 per cent.;
(iv) on income by way of royalty [not being royalty of the nature referred to in sub-item (b) (i,ii)] payable by Government or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern and which has been approved by the Central Government,—	
(A) where the agreement is made after the 31st day of March, 1961 but before the 1st day of April, 1976	50 per cent.;
(B) where the agreement is made after the 31st day of March, 1976	30 per cent.;

**Rate of income-tax**

(v) on income by way of fees for technical services payable by Government or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern and which has been approved by the Central Government—

(A) where the agreement is made after the 29th day of February, 1964 but before the 1st day of April, 1976	50 per cent.;
(B) where the agreement is made after the 31st day of March, 1976	30 per cent.;
(vi) on income by way of interest payable on a tax-free security	44 per cent.;
(vii) on any other income	65 per cent.

*Explanation.*—For the purposes of this Part, “investment income”, “long-term capital gains” and “non-resident Indian” shall have the meanings assigned to them in Chapter XII-A of the Income-tax Act.

**PART III**

**RATES FOR CALCULATING OR CHARGING INCOME-TAX IN CERTAIN CASES,  
DEDUCTING INCOME-TAX FROM INCOME CHARGEABLE UNDER THE HEAD “SALARIES”  
OR ANY PAYMENT REFERRED TO IN SUB-SECTION (9) OF SECTION 80E AND COMPUTING “ADVANCE TAX”**

In cases in which income-tax has to be calculated under the first proviso to sub-section (5) of section 132 of the Income-tax Act or charged under sub-section (4) of section 172 or sub-section (2) of section 174 or section 175 or sub-section (2) of section 176 of the said Act or deducted under section 192 of the said Act from income chargeable under the head “Salaries” or deducted under sub-section (9) of section 80E of the said Act from any payment referred to in the said sub-section (9) or in which the “advance tax” payable under Chapter XVII-C of the said Act has to be computed, at the rate or rates in force, such income-tax or, as the case may be, “advance tax” [not being “advance tax” in respect of any income chargeable to tax under Chapter XII or Chapter XII-A or sub-section (1A) of section 161 or section 164 or section 164A or section 167A of the Income-tax Act at the rates as specified in that Chapter or section], shall be so calculated, charged, deducted or computed at the following rate or rates:—

*Paragraph A**Sub-Paragraph I*

In the case of every individual or Hindu undivided family or unregistered firm or other association of persons or body of individuals, whether incorporated or not, or every artificial juridical person referred to in sub-clause (vii) of clause (3) of section 2 of the Income-tax Act, not being a case to which Sub-Paragraph II of this Paragraph or any other Paragraph of this Part applies,—

*Rates of income-tax*

(1) where the total income does not exceed Rs. 18,000	Nil;
(2) where the total income exceeds Rs. 18,000 but does not exceed Rs. 25,000	25 per cent. of the amount by which the total income exceeds Rs. 18,000;
(3) where the total income exceeds Rs. 25,000 but does not exceed Rs. 50,000	Rs. 1,750 plus 30 per cent. of the amount by which the total income exceeds Rs. 25,000;

(4) where the total income exceeds Rs. 50,000 but does not exceed Rs. 1,00,000	Rs. 9,250 plus 40 per cent. of the amount by which the total income exceeds Rs. 50,000;
(5) where the total income exceeds Rs. 1,00,000	Rs. 29,250 plus 50 per cent. of the amount by which the total income exceeds Rs. 1,00,000.

*Sub-Paragraph II*

In the case of every Hindu undivided family which at any time during the previous year has at least one member whose total income of the previous year relevant to the assessment year commencing on the 1st day of April, 1988 exceeds Rs. 18,000,—

*Rates of income-tax*

(1) where the total income does not exceed Rs. 12,000	Nil;
(2) where the total income exceeds Rs. 12,000 but does not exceed Rs. 20,000	25 per cent. of the amount by which the total income exceeds Rs. 12,000;
(3) where the total income exceeds Rs. 20,000 but does not exceed Rs. 40,000	Rs. 2,000 plus 30 per cent. of the amount by which the total income exceeds Rs. 20,000;
(4) where the total income exceeds Rs. 40,000 but does not exceed Rs. 60,000	Rs. 8,000 plus 40 per cent. of the amount by which the total income exceeds Rs. 40,000;
(5) where the total income exceeds Rs. 60,000 but does not exceed Rs. 1,00,000	Rs. 16,000 plus 50 per cent. of the amount by which the total income exceeds Rs. 60,000;
(6) where the total income exceeds Rs. 1,00,000	Rs. 36,000 plus 55 per cent. of the amount by which the total income exceeds Rs. 1,00,000.

*Paragraph B*

In the case of every co-operative society,—

*Rates of income-tax*

(1) where the total income does not exceed Rs. 10,000	15 per cent. of the total income;
(2) where the total income exceeds Rs. 10,000 but does not exceed Rs. 20,000	Rs. 1,500 plus 25 per cent. of the amount by which the total income exceeds Rs. 10,000;
(3) where the total income exceeds Rs. 20,000	Rs. 4,000 plus 40 per cent. of the amount by which the total income exceeds Rs. 20,000.

*Paragraph C*

*Sub-Paragraph I*

In the case of every registered firm, not being a case to which Sub-Paragraph II of this Paragraph applies,—

*Rates of income-tax*

(1) where the total income does not exceed Rs. 10,000	Nil;
(2) where the total income exceeds Rs. 10,000 but does not exceed Rs. 25,000	5 per cent. of the amount by which the total income exceeds Rs. 10,000;
(3) where the total income exceeds Rs. 25,000 but does not exceed Rs. 50,000	Rs. 750 plus 7 per cent. of the amount by which the total income exceeds Rs. 25,000;
(4) where the total income exceeds Rs. 50,000 but does not exceed Rs. 1,00,000	Rs. 2,500 plus 15 per cent. of the amount by which the total income exceeds Rs. 50,000;

(5) where the total income exceeds  
Rs. 1,00,000

Rs. 10,000 plus 24 per cent. of the amount by  
which the total income exceeds Rs. 1,00,000.

#### *Sub-Paragraph II*

In the case of every registered firm whose total income includes income derived from a profession carried on by it and the income so included is not less than fifty-one per cent. of such total income,—

##### *Rates of income-tax*

(1) where the total income does not exceed Rs. 10,000	Nil;
(2) where the total income exceeds Rs. 10,000 but does not exceed Rs. 25,000	4 per cent. of the amount by which the total income exceeds Rs. 10,000;
(3) where the total income exceeds Rs. 25,000 but does not exceed Rs. 50,000	Rs. 600 plus 7 per cent. of the amount by which the total income exceeds Rs. 25,000;
(4) where the total income exceeds Rs. 50,000 but does not exceed Rs. 1,00,000	Rs. 2,350 plus 13 per cent. of the amount by which the total income exceeds Rs. 50,000;
(5) where the total income exceeds Rs. 1,00,000	Rs. 8,850 plus 22 per cent. of the amount by which the total income exceeds Rs. 1,00,000.

*Explanation.*—For the purposes of this Paragraph, “registered firm” includes an unregistered firm assessed as a registered firm under clause (b) of section 183 of the Income-tax Act.

#### *Paragraph D*

In the case of every local authority,—

##### *Rate of income-tax*

On the whole of the total income 50 per cent.

#### *Paragraph E*

In the case of a company,—

##### *Rates of income-tax*

###### I. In the case of a domestic company,—

(1) where the company is a company in which the public are substantially interested	50 per cent. of the total income;
(2) where the company is not a company in which the public are substantially interested—	

(i) in the case of a trading company or an investment company 60 per cent. of the total income;

(ii) in any other case 55 per cent. of the total income.

###### II. In the case of a company other than a domestic company,—

(i) on so much of the total income as consists of—

(a) royalties received from Government or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern after the 31st day of March, 1961 but before the 1st day of April, 1976, or

(b) fees for rendering technical services received from Government or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern after the 29th day of February, 1964 but before the 1st day of April, 1976,

and, where such agreement has, in other case, been approved by the Central Government 50 per cent;

(ii) on the balance, if any, of the total income 65 per cent.

#### PART IV

[See section 2(7) (e)]

#### RULES FOR COMPUTATION OF NET AGRICULTURAL INCOME

**Rule 1.**—Agricultural income of the nature referred to in sub-clause (a) of clause (1) of section 2 of the Income-tax Act shall be computed as if it were income chargeable to income-tax under that Act under the head "Income from other sources" and the provisions of sections 57 to 59 of that Act shall, so far as may be, apply accordingly:

Provided that sub-section (2) of section 58 shall apply subject to the modification that the reference to section 40A therein shall be construed as not including a reference to sub-sections (3) and (4) of section 40A.

**Rule 2.**—Agricultural income of the nature referred to in sub-clause (b) or sub-clause (c) of clause (1) of section 2 of the Income-tax Act [other than income derived from any building required as a dwelling house by the receiver of the rent or revenue or the cultivator or the receiver of rent-in-kind referred to in the said sub-clause (c)] shall be computed as if it were income chargeable to income-tax under that Act under the head "Profits and gains of business or profession" and the provisions of sections 30, 31, 32, 34, 36, 37, 38, 40, 40A [other than sub-sections (3) and (4) thereof], 41, 43 and 43A of the Income-tax Act shall, so far as may be, apply accordingly.

**Rule 3.**—Agricultural income of the nature referred to in sub-clause (c) of clause (1) of section 2 of the Income-tax Act, being income derived from any building required as a dwelling house by the receiver of the rent or revenue or the cultivator or the receiver of rent-in-kind referred to in the said sub-clause (c) shall be computed as if it were income chargeable to income-tax under that Act under the head "Income from house property" and the provisions of sections 23 to 27 of that Act shall, so far as may be, apply accordingly:

Provided that sub-section (2) of the said section 23 shall apply subject to the modifications that the references to "total income" therein shall be construed as references to net agricultural income and that the words, figures and letter "and before making any deduction under Chapter VI-A" shall be omitted.

**Rule 4.**—Notwithstanding anything contained in any other provisions of these rules, in a case where the assessee derives income from sale of tea grown and manufactured by him in India, such income shall be computed in accordance with rule 8 of the Income-tax Rules, 1962, and sixty per cent. of such income shall be regarded as the agricultural income of the assessee.

**Rule 5.**—Where the assessee is a partner of a registered firm or an unregistered firm assessed as a registered firm under clause (b) of section 183 of the Income-tax Act, which in the previous year has any agricultural income, or is a partner of an unregistered firm which has not been assessed as a registered firm under clause (b) of the said section 183 and which in the previous year has either no income chargeable to tax under the Income-tax Act or has total income not exceeding the maximum amount not chargeable to tax in the case of an unregistered firm but has any agricultural income, then, the agricultural income or loss of the firm shall be computed in accordance with these rules and his share in the agricultural income or loss of the firm shall be computed in the manner laid down in sub-section (1), sub-section (2) and sub-section (3) of section 67 of the Income-tax Act and the share so computed shall be regarded as the agricultural income or loss of the assessee.

**Rule 6.**—Where the assessee is a member of an association of persons or a body of individuals (other than a Hindu undivided family, a company or a firm) which in the previous year has either no income chargeable to tax under the Income-tax Act or has total income not exceeding the maximum amount not chargeable to tax in the case of an association of persons or a body of individuals (other than a Hindu undivided family, a company or a firm) but has any agricultural income, then, the agricultural income or loss of the association or body shall be computed in accordance with these rules and the share of the assessee in the agricultural income or loss so computed shall be regarded as the agricultural income or loss of the assessee.

**Rule 7.**—Where the result of the computation for the previous year in respect of any source of agricultural income is a loss, such loss shall be set off against the income of the assessee, if any, for that previous year from any other source of agricultural income:

Provided that where the assessee is a partner of an unregistered firm which has not been assessed as a registered firm under clause (b) of section 183 of the Income-tax Act or is a member of an association of persons or a body of individuals and the share of the assessee in the agricultural income of the firm, association or body, as the case may be, is a loss, such loss shall not be set off against any income of the assessee from any other source of agricultural income.

**Rule 8.**—Any sum payable by the assessee on account of any tax levied by the State Government on the agricultural income shall be deducted in computing the agricultural income.

**Rule 9.**—(1) Where the assessee has, in the previous year relevant to the assessment year commencing on the 1st day of April, 1987, any agricultural income and the net result of the computation of the agricultural income of the assessee for any one or more of the previous years relevant to the assessment years commencing on the 1st day of April, 1979 or the 1st day of April, 1980 or the 1st day of April, 1981 or the 1st day of April, 1982 or the 1st day of April, 1983 or the 1st day of April, 1984 or the 1st day of April, 1985 or the 1st day of April, 1986, is a loss, then, for the purposes of sub-section (2) of section 2 of this Act,—

(i) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1979 to the ex-

tent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1980 or the 1st day of April, 1981 or the 1st day of April, 1982 or the 1st day of April, 1983 or the 1st day of April, 1984 or the 1st day of April, 1985 or the 1st day of April, 1986,

(ii) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1980, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1981 or the 1st day of April, 1982 or the 1st day of April, 1983 or the 1st day of April, 1984 or the 1st day of April, 1985 or the 1st day of April, 1986,

(iii) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1981, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1982 or the 1st day of April, 1983 or the 1st day of April, 1984 or the 1st day of April, 1985 or the 1st day of April, 1986,

(iv) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1982, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1983 or the 1st day of April, 1984 or the 1st day of April, 1985 or the 1st day of April, 1986,

(v) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1983, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1984 or the 1st day of April, 1985 or the 1st day of April, 1986,

(vi) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1984, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1985 or the 1st day of April, 1986,

(vii) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1985, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1986, and

(viii) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1986,

shall be set off against the agricultural income of the assessee for the previous year relevant to the assessment year commencing on the 1st day of April, 1987.

(2) Where the assessee has, in the previous year relevant to the assessment year commencing on the 1st day of April, 1988 or, if by virtue

of any provision of the Income-tax Act, income-tax is to be charged in respect of the income of a period other than that previous year, in such other period, any agricultural income and the net result of the computation of the agricultural income of the assessee for any one or more of the previous years relevant to the assessment years commencing on the 1st day of April, 1980 or the 1st day of April, 1981 or the 1st day of April, 1982 or the 1st day of April, 1983 or the 1st day of April, 1984 or the 1st day of April, 1985 or the 1st day of April, 1986 or the 1st day of April, 1987, is a loss, then, for the purposes of sub-section (6) of section 2 of this Act,—

(i) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1980, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1981 or the 1st day of April, 1982 or the 1st day of April, 1983 or the 1st day of April, 1984 or the 1st day of April, 1985 or the 1st day of April, 1986 or the 1st day of April, 1987,

(ii) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1981, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1982 or the 1st day of April, 1983 or the 1st day of April, 1984 or the 1st day of April, 1985 or the 1st day of April, 1986 or the 1st day of April, 1987,

(iii) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1982, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1983 or the 1st day of April, 1984 or the 1st day of April, 1985 or the 1st day of April, 1986 or the 1st day of April, 1987,

(iv) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1983, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1984 or the 1st day of April, 1985 or the 1st day of April, 1986 or the 1st day of April, 1987,

(v) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1984, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1985 or the 1st day of April, 1986 or the 1st day of April, 1987,

(vi) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1985, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1986 or the 1st day of April, 1987,

(vii) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1986, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1987, and

(viii) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1987.

shall be set off against the agricultural income of the assessee for the previous year relevant to the assessment year commencing on the 1st day of April, 1988 or the period aforesaid.

(3) Where a change has occurred in the constitution of a firm, nothing in sub-rule (1) or sub-rule (2) shall entitle the firm to set off so much of the loss proportionate to the share of a retired or deceased partner computed in the manner laid down in sub-section (1), sub-section (2) and sub-section (3) of section 67 of the Income-tax Act as exceeds his share of profits, if any, of the previous year in the firm, or entitle any partner to the benefit of any portion of the said loss (computed in the manner aforesaid) which is not apportionable to him.

(4) Where any person deriving any agricultural income from any source has been succeeded in such capacity by another person, otherwise than by inheritance, nothing in sub-rule (1) or sub-rule (2) shall entitle any person, other than the person incurring the loss, to have it set off under sub-rule (1) or, as the case may be, sub-rule (2).

(5) Notwithstanding anything contained in this rule, no loss which has not been determined by the Income-tax Officer under the provisions of these rules or the rules contained in Part IV of the First Schedule to the Finance Act, 1979 or of the First Schedule to the Finance (No. 2) Act, 1980, or of the First Schedule to the Finance Act, 1981, or of the First Schedule to the Finance Act, 1982, or of the First Schedule to the Finance Act, 1983, or of the First Schedule to the Finance Act, 1984, or of the First Schedule to the Finance Act, 1985, or of the First Schedule to the Finance Act, 1986, shall be set off under sub-rule (1) or, as the case may be, sub-rule (2).

21 of 1979.  
44 of 1980.  
16 of 1981.  
14 of 1982.  
11 of 1983.  
21 of 1984.  
32 of 1985.  
23 of 1986.

*Rule 10.*—Where the net result of the computation made in accordance with these rules is a loss, the loss so computed shall be ignored and the net agricultural income shall be deemed to be *nil*.

*Rule 11.*—The provisions of the Income-tax Act relating to procedure for assessment (including the provisions of section 288A relating to rounding off of income) shall, with the necessary modifications, apply in relation to the computation of the net agricultural income of the assessee as they apply in relation to the assessment of the total income.

*Rule 12.*—For the purposes of computing the net agricultural income of the assessee, the Income-tax Officer shall have the same powers as he has under the Income-tax Act for the purposes of assessment of the total income.

## THE SECOND SCHEDULE

(See section 94)]

### PART I

**In the First Schedule to the Customs Tariff Act,—**

(i) in Chapter 27, in sub-heading No. 2709.00, for the entry in column (4), the entry “50% plus Rs. 1,000 per tonne” shall be substituted;

(ii) in Chapter 28, in sub-heading Nos. 2801.10, 2801.20, 2801.30, 2802.00, 2803.00, 2804.10, 2804.21, 2804.29, 2804.30, 2804.40, 2804.50, 2804.61, 2804.69, 2804.70, 2804.80, 2804.90, 2805.11, 2805.19, 2805.21, 2805.22, 2805.30, 2805.40, 2806.10, 2806.20, 2807.00, 2808.00, 2809.10, 2809.20, 2810.00, 2811.11, 2811.19, 2811.21, 2811.22, 2811.23, 2811.29, 2812.10, 2812.90, 2813.10, 2813.90, 2814.10, 2814.20, 2815.11, 2815.12, 2815.20, 2815.30, 2816.10, 2816.20, 2816.30, 2817.00, 2818.10, 2818.20, 2818.30, 2819.10, 2819.90, 2820.10, 2820.90, 2821.10, 2821.20, 2822.00, 2823.00, 2824.10, 2824.20, 2824.90, 2825.10, 2825.20, 2825.30, 2825.40, 2825.50, 2825.60, 2825.70, 2825.80, 2825.90, 2826.11, 2826.12, 2826.19, 2826.20, 2826.30, 2826.90, 2827.10, 2827.20, 2827.31, 2827.32, 2827.33, 2827.34, 2827.35, 2827.36, 2827.37, 2827.38, 2827.39, 2827.41, 2827.49, 2827.51, 2827.59, 2827.60, 2828.10, 2828.90, 2829.11, 2829.19, 2829.90, 2830.10, 2830.20, 2830.30, 2830.90, 2831.10, 2831.90, 2832.10, 2832.20, 2832.30, 2833.11, 2833.19, 2833.21, 2833.22, 2833.23, 2833.24, 2833.25, 2833.26, 2833.27, 2833.29, 2833.30, 2833.40, 2834.10, 2834.21, 2834.22, 2834.29, 2835.10, 2835.21, 2835.22, 2835.23, 2835.24, 2835.25, 2835.26, 2835.29, 2835.31, 2835.39, 2836.10, 2836.20, 2836.30, 2836.40, 2836.50, 2836.60, 2836.70, 2836.91, 2836.92, 2836.93, 2836.99, 2837.11, 2837.19, 2837.20, 2838.00, 2839.11, 2839.19, 2839.20, 2839.90, 2840.11, 2840.19, 2840.20, 2840.30, 2841.10, 2841.20, 2841.30, 2841.40, 2841.50, 2841.60, 2841.70, 2841.80, 2841.90, 2842.10, 2842.90, 2843.10, 2843.21, 2843.29, 2843.30, 2843.90, 2844.10, 2844.20, 2844.30, 2844.40, 2844.50, 2845.10, 2845.90, 2846.10, 2846.90, 2847.00, 2848.10, 2848.90, 2849.10, 2849.20, 2849.90, 2850.00 and 2851.00, for the entry in column (4), the entry “80% plus Rs. 25 per Kg.” shall be substituted;

(iii) in Chapter 29,—

(1) in sub-heading Nos. 2901.10, 2901.21, 2901.22, 2901.23, 2901.24, 2901.29, 2902.11 and 2902.19, for the entry in column (4), the entry “80% plus Rs. 25 per Kg.” shall be substituted;

(2) in sub-heading Nos. 2902.20 and 2902.30, for the entry in column (4), the entry “50% plus Rs. 10 per Kg.” shall be substituted;

(3) in sub-heading Nos. 2902.41, 2902.42 and 2902.43, for the entry in column (4), the entry “80% plus Rs. 25 per Kg.” shall be substituted;

(4) in sub-heading No. 2902.44, for the entry in column (4), the entry “50% plus Rs. 10 per Kg.” shall be substituted;

(5) in sub-heading No. 2902.50, for the entry in column (4), the entry “80% plus Rs. 25 per Kg.” shall be substituted;

(6) in sub-heading No. 2902.60, for the entry in column (4), the entry “50% plus Rs. 10 per Kg.” shall be substituted;

(7) in sub-heading Nos. 2902.70, 2902.90, 2903.11, 2903.12, 2903.13, 2903.14, 2903.15, 2903.16, 2903.19, 2903.21, 2903.22, 2903.23, 2903.29, 2903.30, 2903.40, 2903.51, 2903.59, 2903.61, 2903.62, 2903.69, 2904.10,

2904.20, 2904.90, 2905.11, 2905.12, 2905.13, 2905.14, 2905.15, 2905.16, 2905.17, 2905.19, 2905.21, 2905.22, 2905.29, 2905.31, 2905.32, 2905.39, 2905.41, 2905.42, 2905.43, 2905.44, 2905.49, 2905.50, 2906.11, 2906.12, 2906.13, 2906.14, 2906.19, 2906.21, 2906.29, 2907.11, 2907.12, 2907.13, 2907.14, 2907.15, 2907.19, 2907.21, 2907.22, 2907.23, 2907.29, 2907.30, 2908.10, 2908.20, 2908.90, 2909.11, 2909.19, 2909.20, 2909.30, 2909.41, 2909.42, 2909.43, 2909.44, 2909.49, 2909.50, 2909.60, 2910.10, 2910.20, 2910.30, 2910.90, 2911.00, 2912.11, 2912.12, 2912.13, 2912.19, 2912.21, 2912.29, 2912.30, 2912.41, 2912.42, 2912.49, 2912.50, 2912.60, 2913.00, 2914.11, 2914.12, 2914.13 and 2914.19, for the entry in column (4), the entry "80% plus Rs. 25 per Kg." shall be substituted;

(8) in sub-heading No. 2914.21, for the entry in column (4), the entry "150% plus Rs. 15 per Kg." shall be substituted;

(9) in sub-heading Nos. 2914.22, 2914.23, 2914.29, 2914.30, 2914.41, 2914.49, 2914.50 and 2914.61, for the entry in column (4), the entry "80% plus Rs. 25 per Kg." shall be substituted;

(10) in sub-heading No. 2914.69, for the entry in column (4), the entry "150% plus Rs. 15 per Kg." shall be substituted;

(11) in sub-heading Nos. 2914.70, 2915.11, 2915.12, 2915.13, 2915.21, 2915.22, 2915.23, 2915.24, 2915.29, 2915.31, 2915.32, 2915.33, 2915.34, 2915.35, 2915.39, 2915.40, 2915.50, 2915.60, 2915.70, 2915.90, 2916.11, 2916.12, 2916.13, 2916.14, 2916.15, 2916.19, 2916.20, 2916.31, 2916.32, 2916.33, 2916.39, 2917.11, 2917.12, 2917.13, 2917.14, 2917.19, 2917.20, 2917.31, 2917.32, 2917.33, 2917.34 and 2917.35, for the entry in column (4), the entry "80% plus Rs. 25 per Kg." shall be substituted;

(12) in sub-heading No. 2917.36, for the entry in column (4), the entry "150% plus Rs. 15 per Kg." shall be substituted;

(13) in sub-heading No. 2917.37, for the entries in columns (4) and (5), the entries "150% plus Rs. 15 per Kg." and "140% plus Rs. 15 per Kg." shall, respectively, be substituted;

(14) in sub-heading Nos. 2917.39, 2918.11, 2918.12, 2918.13, 2918.14, 2918.15, 2918.16, 2918.17, 2918.19, 2918.21, 2918.22, 2918.23, 2918.29, 2918.30, 2918.90, 2919.00, 2920.10, 2920.90, 2921.11, 2921.12, 2921.19, 2921.21, 2921.22, 2921.29 and 2921.30, for the entry in column (4), the entry "80% plus Rs. 25 per Kg." shall be substituted;

(15) in sub-heading Nos. 2921.41, 2921.42 and 2921.43, for the entry in column (4), the entry "150% plus Rs. 15 per Kg." shall be substituted;

(16) in sub-heading No. 2921.44, for the entry in column (4), the entry "80% plus Rs. 25 per Kg." shall be substituted;

(17) in sub-heading No. 2921.45, for the entry in column (4), the entry "150% plus Rs. 15 per Kg." shall be substituted;

(18) in sub-heading Nos. 2921.49 and 2921.51, for the entry in column (4), the entry "80% plus Rs. 25 per Kg." shall be substituted;

(19) in sub-heading No. 2921.59, for the entry in column (4), the entry "150% plus Rs. 15 per Kg." shall be substituted;

(20) in sub-heading Nos. 2922.11, 2922.12, 2922.13, 2922.19, 2922.21, 2922.22, 2922.29, 2922.30, 2922.41, 2922.42 and 2922.49, for the entry in column (4), the entry "80% plus Rs. 25 per Kg." shall be substituted;

(21) in sub-heading No. 2922.50, for the entry in column (4), the entry "150% plus Rs. 15 per Kg." shall be substituted;

(22) in sub-heading Nos. 2923.10, 2923.20, 2923.90, 2924.10, 2924.21 and 2924.29, for the entry in column (4), the entry "80% plus Rs. 25 per Kg." shall be substituted;

(23) in sub-heading No. 2925.11, for the entry in column (4), the entry "Rs. 75 per Kg." shall be substituted;

(24) in sub-heading Nos. 2925.19, 2925.20, 2926.10, 2926.20, 2926.90, 2927.00, 2928.00, 2929.10, 2929.90, 2930.10, 2930.20, 2930.30, 2930.40, 2930.90, 2931.00, 2932.11, 2932.12, 2932.13, 2932.19, 2932.21, 2932.29, 2932.90, 2933.11, 2933.19, 2933.21, 2933.29, 2933.31, 2933.39, 2933.40, 2933.51, 2933.59, 2933.61 and 2933.69, for the entry in column (4), the entry "80% plus Rs. 25 per Kg." shall be substituted;

(25) in sub-heading No. 2933.71, for the entries in columns (4) and (5), the entries "150% plus Rs. 15 per Kg." and "140% plus Rs. 15 per Kg." shall, respectively, be substituted;

(26) in sub-heading Nos. 2933.79, 2933.90, 2934.10, 2934.20, 2934.30, 2934.90 and 2935.00, for the entry in column (4), the entry "80% plus Rs. 25 per Kg." shall be substituted;

(27) in sub-heading Nos. 2936.10, 2936.21, 2936.22, 2936.23, 2936.24, 2936.25, 2936.26, 2936.27, 2936.28, 2936.29 and 2936.90, for the entries in columns (4) and (5), the entries "80% plus Rs. 25 per Kg." and "74% plus Rs. 25 per Kg." shall, respectively, be substituted;

(28) in sub-heading Nos. 2937.10, 2937.21, 2937.22, 2937.29, 2937.91, 2937.92 and 2937.99, for the entries in columns (4) and (5), the entries "80% plus Rs. 25 per Kg." and "70% plus Rs. 25 per Kg." shall, respectively, be substituted;

(29) in sub-heading Nos. 2938.10, 2938.90, 2939.10, 2939.21, 2939.29 and 2939.30, for the entry in column (4), the entry "80% plus Rs. 25 per Kg." shall be substituted;

(30) in sub-heading Nos. 2939.40 and 2939.50, for the entries in columns (4) and (5), the entries "80% plus Rs. 25 per Kg." and "70% plus Rs. 25 per Kg." shall, respectively, be substituted;

(31) in sub-heading Nos. 2939.60, 2939.70, 2939.90 and 2940.00, for the entry in column (4), the entry "80% plus Rs. 25 per Kg." shall be substituted;

(32) in sub-heading Nos. 2941.10, 2941.20, 2941.30, 2941.40, 2941.50 and 2941.90, for the entries in columns (4) and (5), the entries "80% plus Rs. 25 per Kg." and "74% plus Rs. 25 per Kg." shall, respectively, be substituted;

(33) in sub-heading No. 2942.00, for the entry in column (4), the entry "80% plus Rs. 25 per Kg." shall be substituted;

(iv) in Chapter 32,—

(1) in sub-heading Nos. 3201.10, 3201.20 and 3201.30, for the entry in column (4), the entry "50% plus Rs. 10 per Kg." shall be substituted;

(2) in sub-heading No. 3201.90, for the entries in columns (4) and (5), the entries "80% plus Rs. 25 per Kg." and "70% plus Rs. 25 per Kg." shall, respectively, be substituted;

(3) in sub-heading Nos. 3202.10 and 3202.90, for the entry in column (4), the entry "80% plus Rs. 25 per Kg." shall be substituted;

(4) in sub-heading Nos. 3203.00, 3204.11, 3204.12, 3204.13, 3204.14, 3204.15, 3204.16, 3204.17, 3204.19, 3204.20, 3204.90, 3205.00, 3206.10, 3206.20, 3206.30, 3206.41, 3206.42, 3206.43, 3206.49, 3206.50,

3207.10, 3207.20, 3207.30, 3207.40, 3208.10, 3208.20, 3208.90, 3209.10, 3209.90, 3210.00, 3211.00, 3212.10, 3212.90, 3213.10, 3213.90, 3214.10 and 3214.90, for the entry in column (4), the entry "150% plus Rs. 15 per Kg." shall be substituted;

(5) in sub-heading Nos. 3215.11, 3215.19 and 3215.90, for the entry in column (4), the entry "100% plus Rs. 25 per Kg." shall be substituted;

(v) in Chapter 33, in sub-heading Nos. 3301.11, 3301.12, 3301.13, 3301.14, 3301.19, 3301.21, 3301.22, 3301.23, 3301.24, 3301.25, 3301.26, 3301.29, 3301.30, 3301.90, 3302.10, 3302.90, 3303.00, 3304.10, 3304.20, 3304.30, 3304.91, 3304.99, 3305.10, 3305.20, 3305.30, 3305.90, 3306.10, 3306.90, 3307.10, 3307.20, 3307.30, 3307.41, 3307.49 and 3307.90, for the entry in column (4), the entry "150% plus Rs. 25 per Kg." shall be substituted;

(vi) in Chapter 34,—

(1) in sub-heading Nos. 3401.11, 3401.19 and 3401.20, for the entry in column (4), the entry "150% plus Rs. 15 per Kg." shall be substituted;

(2) in sub-heading Nos. 3402.11, 3402.12, 3402.13 and 3402.19, for the entries in columns (4) and (5), the entries "100% plus Rs. 25 per Kg." and "90% plus Rs. 25 per Kg." shall, respectively, be substituted;

(3) in sub-heading Nos. 3402.20, 3402.90, 3403.11, 3403.19, 3403.91 and 3403.99, for the entry in column (4), the entry "150% plus Rs. 15 per Kg." shall be substituted;

(4) in sub-heading Nos. 3404.10, 3404.20 and 3404.90, for the entry in column (4), the entry "100% plus Rs. 15 per Kg." shall be substituted;

(5) in sub-heading Nos. 3405.10, 3405.20, 3405.30, 3405.40, 3405.90, 3406.00 and 3407.00, for the entry in column (4), the entry "150% plus Rs. 15 per Kg." shall be substituted;

(vii) in Chapter 35, in sub-heading Nos. 3501.10, 3501.90, 3502.10, 3502.90, 3503.00, 3504.00, 3505.10, 3505.20, 3506.10, 3506.91, 3506.99, 3507.10 and 3507.90, for the entry in column (4), the entry "100% plus Rs. 25 per Kg." shall be substituted;

(viii) in Chapter 38, —

(1) in sub-heading No. 3801.10, for the entries in columns (4) and (5), the entries "80% plus Rs. 25 per Kg." and "70% plus Rs. 25 per Kg." shall, respectively, be substituted;

(2) in sub-heading Nos. 3801.20, 3801.30 and 3801.90, for the entry in column (4), the entry "80% plus Rs. 25 per Kg." shall be substituted;

(3) in sub-heading No. 3802.10, for the entries in columns (4) and (5), the entries "80% plus Rs. 25 per Kg." and "70% plus Rs. 25 per Kg." shall, respectively, be substituted;

(4) in sub-heading Nos. 3802.90, 3803.00, 3804.00, 3805.10, 3805.20, 3805.90, 3806.10, 3806.20, 3806.30, 3806.90, 3807.00, 3808.10, 3808.20, 3808.30, 3808.40, 3808.90, 3809.10, 3809.91, 3809.92, 3809.99, 3810.10, 3810.90, 3811.11, 3811.19, 3811.21, 3811.29 and 3811.90, for the entry in column (4), the entry "80% plus Rs. 25 per Kg." shall be substituted;

(5) in sub-heading No. 3812.10, for the entries in columns (4) and (5), the entries "80% plus Rs. 25 per Kg." and "70% plus Rs. 25 per Kg." shall, respectively, be substituted.

(6) in sub-heading Nos. 3812.20, 3812.30, 3813.00 and 3814.00, for the entry in column (4) the entry "80% plus Rs. 25 per Kg." shall be substituted;

(7) in sub-heading Nos. "3815.11 and 3815.12, for the entries in columns (4) and (5), the entries "80% plus Rs. 25 per Kg." and "70% plus Rs. 25 per Kg." shall, respectively, be substituted;

(8) in sub-heading Nos. 3815.19, 3815.90, 3816.00, 3817.10, 3817.20, 3818.00, 3819.00, 3820.00, 3821.00, 3822.00, 3823.10, 3823.20, 3823.30, 3823.40, 3823.50, 3823.60 and 3823.90, for the entry in column (4), the entry "80% plus Rs. 25 per Kg." shall be substituted;

(ix) in Chapter 39,—

(1) in sub-heading Nos. 3901.10, 3901.20, 3901.30, 3901.90, 3902.10, 3902.20, 3902.30, 3902.90, 3903.11, 3903.19, 3903.20, 3903.30 and 3903.90, for the entry in column (4), the entry "150% plus Rs. 25 per Kg." shall be substituted;

(2) in sub-heading Nos. 3904.10, 3904.21 and 3904.22, for the entry in column (4), the entry "200% plus Rs. 15 per Kg." shall be substituted;

(3) in sub-heading Nos. 3904.30, 3904.40, 3904.50, 3904.61, 3904.69, 3904.90, 3905.11, 3905.19, 3905.20, 3905.90, 3906.10, 3906.90, 3907.10, 3907.20, 3907.30, 3907.40 and 3907.50, for the entry in column (4), the entry "150% plus Rs. 25 per Kg." shall be substituted;

(4) in sub-heading No. 3907.60, for the entry in column (4), the entry "200% plus Rs. 15 per Kg." shall be substituted;

in sub-heading Nos. 3907.91, 3907.99, 3908.10, 3908.90, 3909.10, 3909.20, 3909.30, 3909.40, 3909.50, 3910.00, 3911.10, 3911.90, 3912.11, 3912.12, 3912.20, 3912.31, 3912.39, 3912.90, 3913.10, 3913.90, 3914.00, 3915.10, 3915.20, 3915.30, 3915.90, 3916.10, 3916.20, 3916.90, 3917.10, 3917.21, 3917.22, 3917.23, 3917.29, 3917.31, 3917.32, 3917.33 and 3917.39, for the entry in column (4), the entry "150% plus Rs. 25 per Kg." shall be substituted;

(6) in sub-heading Nos. 3918.10, 3918.90, 3919.10, 3919.90, 3920.10, 3920.20, 3920.30, 3920.41, 3920.42, 3920.51, 3920.59, 3920.61, 3920.62, 3920.63, 3920.69, 3920.71, 3920.72, 3920.73, 3920.79, 3920.91, 3920.92, 3920.93, 3920.94, 3920.99, 3921.11, 3921.12, 3921.13, 3921.14, 3921.19 and 3921.90, for the entry in column (4), the entry "150% plus Rs. 25 per Kg." shall be substituted;

(x) in Chapter 72,—

(1) in sub-heading Nos. 7206.10 and 7206.90, for the entry in column (4), the entry "50% plus Rs. 3,000 per tonne" shall be substituted;

(2) in sub-heading Nos. 7207.11, 7207.12, 7207.19 and 7207.20, for the entry in column (4), the entry "70% plus Rs. 3,500 per tonne" shall be substituted;

(3) in sub-heading Nos. 7208.11, 7208.12, 7208.13, 7208.14, 7208.21, 7208.22, 7208.23, 7208.24, 7208.31, 7208.32, 7208.33, 7208.34, 7208.35, 7208.41, 7208.42, 7208.43, 7208.44, 7208.45, 7208.90, 7209.11, 7209.12, 7209.13, 7209.14, 7209.21, 7209.22, 7209.23, 7209.24, 7209.31, 7209.32, 7209.33, 7209.34, 7209.41, 7209.42, 7209.43, 7209.44 and 7209.90, for the entry in column (4), the entry "80% plus Rs. 5,000 per tonne" shall be substituted;

(4) in sub-heading Nos. 7210.11, 7210.12, 7210.20, 7210.31, 7210.39, 7210.41 and 7210.49, for the entry in column (4), the entry "80% plus Rs. 7,000 per tonne" shall be substituted;

(5) in sub-heading No. 7210.50, for the entry in column (4), the entry "100% plus Rs. 7,000 per tonne" shall be substituted;

(6) in sub-heading Nos. 7210.60, 7210.70 and 7210.90, for the entry in column (4), the entry "80% plus Rs. 7,000 per tonne" shall be substituted;

(7) in sub-heading Nos. 7211.11, 7211.12, 7211.19, 7211.21, 7211.22, 7211.29, 7211.30, 7211.41, 7211.49 and 7211.90, for the entry in column (4), the entry "80% plus Rs. 5,000 per tonne" shall be substituted;

(8) in sub-heading Nos. 7212.10, 7212.21, 7212.29, 7212.30 and 7212.40, for the entry in column (4), the entry "80% plus Rs. 7,000 per tonne" shall be substituted;

(9) in sub-heading No. 7212.50, for the entry in column (4), the entry "100% plus Rs. 7,000 per tonne" shall be substituted;

(10) in sub-heading No. 7212.60, for the entry in column (4), the entry "80% plus Rs. 7,000 per tonne" shall be substituted;

(11) in sub-heading Nos. 7213.10 and 7213.20, for the entry in column (4), the entry "100% plus Rs. 5,000 per tonne" shall be substituted;

(12) in sub-heading Nos. 7213.31, 7213.39, 7213.41 and 7213.49, for the entry in column (4), the entry "60% plus Rs. 5,000 per tonne" shall be substituted;

(13) in sub-heading Nos. 7213.50, 7214.10, 7214.20 and 7214.30, for the entry in column (4), the entry "100% plus Rs. 5,000 per tonne" shall be substituted;

(14) in sub-heading Nos. 7214.40 and 7214.50, for the entry in column (4), the entry "60% plus Rs. 5,000 per tonne" shall be substituted;

(15) in sub-heading Nos. 7214.60 and 7215.10, for the entry in column (4), the entry "100% plus Rs. 5,000 per tonne" shall be substituted;

(16) in sub-heading Nos. 7215.20 and 7215.30, for the entry in column (4), the entry "60% plus Rs. 5,000 per tonne" shall be substituted;

(17) in sub-heading Nos. 7215.40 and 7215.90, for the entry in column (4), the entry "100% plus Rs. 5,000 per tonne" shall be substituted;

(18) in sub-heading Nos. 7216.10, 7216.21, 7216.22, 7216.31, 7216.32, 7216.33, 7216.40, 7216.50, 7216.60 and 7216.90, for the entry in column (4), the entry "80% plus Rs. 5,000 per tonne" shall be substituted;

(19) in sub-heading Nos. 7217.11, 7217.12, 7217.13, 7217.19, 7217.21, 7217.22, 7217.23 and 7217.29, for the entry in column (4), the entry "50% plus Rs. 5,000 per tonne" shall be substituted;

(20) in sub-heading Nos. 7217.31, 7217.32, 7217.33 and 7217.39, for the entry in column (4), the entry "80% plus Rs. 5,000 per tonne" shall be substituted;

(21) in sub-heading Nos. 7218.10, 7218.90, 7219.11, 7219.12, 7219.13, 7219.14, 7219.21, 7219.22, 7219.23, 7219.24, 7219.31, 7219.32, 7219.33, 7219.34, 7219.35, 7219.90, 7220.11, 7220.12, 7220.20, 7220.90, 7221.00, 7222.10, 7222.20, 7222.30, 7222.40 and 7223.00, for the entry in column (4), the entry "300% plus Rs. 25,000 per tonne" shall be substituted;

(22) in sub-heading Nos. 7224.10, 7224.90, 7225.10, 7225.20, 7225.30, 7225.40, 7225.50, 7225.90, 7226.10, 7226.20, 7226.91, 7226.92, 7226.99, 7227.10, 7227.20, 7227.90, 7228.10, 7228.20, 7228.30, 7228.40, 7228.50, 7228.60, 7228.70, 7228.80, 7229.10, 7229.20 and 7229.90, for the entry in column (4), the entry "80% plus Rs. 25,000 per tonne" shall be substituted;

(xi) in Chapter 98,—

(1) after Note 6, the following NOTES shall be inserted, namely :—

“7. Heading No. 98.06 does not cover:

(a) Ball or roller bearings of heading No. 84.82;

(b) Bearing housings of sub-heading Nos. 8483.20 and 8483.30;

(c) Parts of machinery of heading No. 84.71; and

(d) Any other part of machinery which the Central Government may, having regard to its nature of being a part having general application, notify in the Official Gazette in this behalf.

8. Goods which answer to the description of both the heading No. 98.01 and the heading No. 98.06 are to be classified under the heading No. 98.01.”;

(2) in sub-heading No. 9801.00, for the entry in column (4), the entry “60%” shall be substituted.

#### PART II

Heading No.	Sub-heading No.	Description of article	Rate of duty	
			Standard	Preferential areas
(1)	(2)	(3)	(4)	(5)
<b>In the First Schedule to the Customs Tariff Act, in Chapter 98, after heading No. 98.05, the following heading shall be inserted, namely:—</b>				

"98.06	9806.00	PARTS OF MACHINERY, EQUIPMENTS, APPLIANCES, INSTRUMENTS, AND ARTI- CLES OF CHAPTERS 84, 85, 86, 89 AND 90	150%
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**THE THIRD SCHEDULE**

(See section 97)

**PART I****In the Schedule to the Central Excise Tariff Act,—**

- (1) in Chapter 4, in sub-heading No. 0403.10, for the entry in column (4), the entry "20%" shall be substituted;
- (2) in Chapter 9, in sub-heading No. 0903.10, for the entry in column (4), the entry "15%" shall be substituted;
- (3) in Chapter 15, in sub-heading No. 1504.00, for the entry in column (4), the entry "Rs. 1,900 per tonne" shall be substituted;
- (4) in Chapter 19,—
  - (a) in sub-heading Nos. 1901.19 and 1901.90, for the entry in column (4), the entry "20%" shall be substituted;
  - (b) in sub-heading No. 1903.10, for the entry in column (4), the entry "15%" shall be substituted;
  - (c) in sub-heading No. 1904.10, for the entry in column (3), the entry "—Put up in unit containers and ordinarily intended for sale" shall be substituted;
- (5) in Chapter 21, in sub-heading No. 2106.11, for the entry in column (4), the entry "25% plus Rs. 20 per kilogram" shall be substituted;
- (6) in Chapter 22,—
  - (a) in sub-heading No. 2201.11, for the entry in column (4), the entry "25 paise" shall be substituted;
  - (b) in sub-heading No. 2201.12, in column (4), for the figures and word "10 paise", the figures and word "25 paise" shall be substituted;
  - (c) in sub-heading No. 2201.19, for the entry in column (4), the entry "60%" shall be substituted;
  - (d) in sub-heading No. 2201.90, for the entry in column (4), the entry "15%" shall be substituted;
  - (e) in sub-heading No. 2202.11, for the entry in column (4), the entry "50 paise" shall be substituted;
  - (f) in sub-heading No. 2202.12, for the entry in column (4), the entry "55 paise" shall be substituted;
  - (g) in sub-heading No. 2202.13, for the entry in column (4), the entry "65 paise" shall be substituted;
  - (h) in sub-heading No. 2202.14, in column (4), for the figures and word "45 paise", the figures and word "65 paise" shall be substituted;
  - (i) in sub-heading No. 2202.19, for the entry in column (4), the entry "75%" shall be substituted;

## (7) in Chapter 24,—

(a) after NOTE 3, the following NOTE shall be inserted, namely:—

‘4. In this Chapter, the expression “cut-tobacco” means the prepared or processed cut-to-size tobacco which is generally blended or moisturised to a desired extent for use in the manufacture of machine-rolled cigarettes.’;

(b) in heading No. 24.04, in column (3), for the words “Smoking mixtures for pipes and cigarettes”, the words “Smoking mixtures for pipes and cigarettes; cut-tobacco” shall be substituted;

(8) in Chapter 28, in sub-heading No. 2817.10, for the entry in column (4), the entry “15%” shall be substituted;

(9) in Chapter 34, in sub-heading Nos. 3401.20 and 3402.90, for the entry in column (4), the entry “25%” shall be substituted;

(10) in Chapter 35, in sub-heading No. 3506.00, for the entry in column (4), the entry “40%” shall be substituted;

(11) in Chapter 39, in sub-heading No. 3907.80, in column (3), for the word “Polybutyl”, the word “Polybutylene” shall be substituted;

## (12) in Chapter 40,—

(a) in sub-heading Nos. 4006.10 and 4008.21, for the entry in column (4), the entry “Rs. 12 per kilogram” shall be substituted;

(b) in sub-heading No. 4010.90, for the entry in column (4), the entry “35%” shall be substituted;

(13) in Chapter 42, in sub-heading No. 4201.10, for the entry in column (4), the entry “35%” shall be substituted;

## (14) in Chapter 44,—

(a) in sub-heading Nos. 4406.10, 4406.20, 4406.90, 4407.10 and 4407.90, for the entry in column (4), the entry “20%” shall be substituted;

(b) in sub-heading Nos. 4408.10 and 4408.20, for the entry in column (4), the entry “30%” shall be substituted;

(15) in Chapter 45, in sub-heading No. 4501.00, for the entry in column (4), the entry “15%” shall be substituted;

## (16) in Chapter 48,—

(a) in sub-heading No. 4802.20, in column (4), for the abbreviation and figures “Rs. 575”, the abbreviation and figures “Rs. 600” shall be substituted;

(b) in sub-heading No. 4802.91, in column (4), for the abbreviation and figures “Rs. 1,700”, the abbreviation and figures “Rs. 1,800” shall be substituted;

(c) in sub-heading No. 4802.99, in column (4), for the abbreviation and figures “Rs. 1,300”, the abbreviation and figures “Rs. 1,400” shall be substituted;

(d) in sub-heading No. 4803.00, in column (4), for the abbreviation and figures “Rs. 1,430”, the abbreviation and figures “Rs. 1,550” shall be substituted;

- (e) in sub-heading Nos. 4804.19, 4804.29 and 4804.30, in column (4), for the abbreviation and figures "Rs. 1,700", the abbreviation and figures "Rs. 1,800" shall be substituted;
- (f) in sub-heading No. 4805.30, in column (4), for the abbreviation and figures "Rs. 2,000", the abbreviation and figures "Rs. 2,150" shall be substituted;
- (g) in sub-heading No. 4805.90, in column (4), for the abbreviation and figures "Rs. 1,550", the abbreviation and figures "Rs. 1,600" shall be substituted;
- (h) in sub-heading Nos. 4806.10 and 4806.20, in column (4), for the abbreviation and figures "Rs. 2,200", the abbreviation and figures "Rs. 2,300" shall be substituted;
- (i) in sub-heading No. 4806.90, in column (4), for the abbreviation and figures "Rs. 1,930", the abbreviation and figures "Rs. 2,000" shall be substituted;
- (j) in sub-heading Nos. 4807.10 and 4807.99, in column (4), for the abbreviation and figures "Rs. 1,550", the abbreviation and figures "Rs. 1,600" shall be substituted;
- (k) in sub-heading Nos. 4808.10 and 4808.90, in column (4), for the abbreviation and figures "Rs. 1,550", the abbreviation and figures "Rs. 1,600" shall be substituted;
- (l) in sub-heading Nos. 4809.10, 4809.20 and 4809.90, for the entry in column (4), the entry "40%" shall be substituted;
- (m) in sub-heading No. 4810.10, in column (4), for the abbreviation and figures "Rs. 1,700", the abbreviation and figures "Rs. 1,800" shall be substituted;
- (n) in sub-heading No. 4810.20, in column (4), for the abbreviation and figures "Rs. 2,200", the abbreviation and figures "Rs. 2,300" shall be substituted;
- (o) in sub-heading No. 4810.90, in column (4), for the abbreviation and figures "Rs. 1,930", the abbreviation and figures "Rs. 2,000" shall be substituted;
- (p) in sub-heading Nos. 4811.10 and 4811.20, in column (4), for the abbreviation and figures "Rs. 1,550", the abbreviation and figures "Rs. 1,600" shall be substituted;
- (q) in sub-heading No. 4811.31, for the entry in column (4), the entry "10% plus Rs. 1,600 per tonne" shall be substituted;
- (r) in sub-heading Nos. 4811.39 and 4811.40, in column (4), for the abbreviation and figures "Rs. 2,200", the abbreviation and figures "Rs. 2,300" shall be substituted;
- (s) in sub-heading No. 4811.90, in column (4), for the abbreviation and figures "Rs. 1,930", the abbreviation and figures "Rs. 2,000" shall be substituted;
- (t) in sub-heading No. 4812.00, for the entry in column (4), the entry "15%" shall be substituted;
- (u) in sub-heading No. 4813.00, in column (4), for the abbreviation and figures "Rs. 2,200", the abbreviation and figures "Rs. 2,300" shall be substituted;

(v) in sub-heading No. 4814.00, in column (4), for the abbreviation and figures "Rs. 2,500", the abbreviation and figures "Rs. 2,700" shall be substituted;

(w) in sub-heading No. 4815.00, for the entry in column (4), the entry "15%" shall be substituted;

(x) in sub-heading No. 4816.00, for the entry in column (4), the entry "40%" shall be substituted;

(y) in sub-heading Nos. 4817.10, 4817.20 and 4817.90, in column (4), for the abbreviation and figures "Rs. 1,550", the abbreviation and figures "Rs. 1,600" shall be substituted;

(z) in Chapter 49, in heading No. 49.01, in column (3), for the words "PRODUCTS OF THE PAPER PRINTING INDUSTRY", the words "PRODUCTS OF THE PRINTING INDUSTRY" shall be substituted;

(aa) in Chapter 52,—

(a) in sub-heading Nos. 5206.20 and 5207.20, in column (4), for the words, abbreviation and figures "sub-heading Nos. 5206.31 to 5206.39 and 5206.90", the words, abbreviation and figures "sub-heading Nos. 5206.31 to 5206.36 and 5206.91 to 5206.94" shall be substituted;

(b) in sub-heading Nos. 5207.90 and 5208.19, for the entry in column (4), the entry "Fifty per cent. of the duty leviable under sub-heading Nos. 5206.31 to 5206.36 and 5206.91 to 5206.94, as the case may be, depending upon the average count of yarn in the fabric and the value per square metre of the fabric" shall be substituted;

(c) in sub-heading Nos. 5208.22 and 5208.29, in column (4), for the words, abbreviation and figures "sub-heading Nos. 5206.31 to 5206.39 and 5206.90", the words, abbreviation and figures "sub-heading Nos. 5206.31 to 5206.36 and 5206.91 to 5206.94" shall be substituted;

(d) in sub-heading Nos. 5211.10 and 5211.20, for the entry in column (4), the entry "Nil" shall be substituted;

(zz) in Chapter 54,—

(a) in sub-heading No. 5404.91, for the entry in column (4), the entry "Rs. 21.12 per kilogram" shall be substituted;

(b) in sub-heading No. 5404.92, for the entry in column (4), the entry "Rs. 13.77 per kilogram" shall be substituted;

(c) in sub-heading No. 5404.93, for the entry in column (4), the entry "Rs. 9.86 per kilogram" shall be substituted;

(d) in sub-heading No. 5404.94, for the entry in column (4), the entry "Rs. 8.18 per kilogram" shall be substituted;

(e) in sub-heading No. 5404.95, for the entry in column (4), the entry "Rs. 6.95 per kilogram" shall be substituted;

(f) in sub-heading No. 5404.96, for the entry in column (4), the entry "Rs. 4.71 per kilogram" shall be substituted;

(g) in sub-heading No. 5404.97, for the entry in column (4), the entry "Rs. 3.08 per kilogram" shall be substituted;

(h) in sub-heading No. 5409.10, for the entry in column (3), the entry "Of value not exceeding rupees ten per square metre" shall be substituted;

(i) in sub-heading No. 5409.20 for the entry in column (3), the entry “-Of value exceeding rupees ten but not exceeding rupees twenty per square metre” shall be substituted;

(j) in sub-heading No. 5409.30, for the entry in column (3), the entry “-Of value exceeding rupees twenty but not exceeding rupees twenty-five per square metre” shall be substituted;

(k) in sub-heading No. 5409.40, for the entry in column (3), the entry “-Of value exceeding rupees twenty-five but not exceeding rupees fifty per square metre” shall be substituted;

(l) in sub-heading No. 5409.50, for the entry in column (3), the entry “-Of value exceeding rupees fifty but not exceeding rupees one hundred per square metre” shall be substituted;

(m) in sub-heading No. 5409.60, for the entry in column (3), the entry “-Of value exceeding rupees one hundred per square metre” shall be substituted;

(n) sub-heading No. 5409.70 and the entries relating thereto shall be omitted;

(20) in Chapter 55,—

(a) sub-heading Nos. 5511.27 and 5511.28 shall be renumbered as sub-heading Nos. 5511.26 and 5511.27 respectively;

(b) sub-heading Nos. 5512.27 and 5512.28 shall be renumbered as sub-heading Nos. 5512.26 and 5512.27 respectively;

(21) in Chapter 59,—

(a) in sub-heading No. 5901.10, for the entry in column (4), the entry “10%” shall be substituted;

(b) in sub-heading Nos. 5902.10, 5902.20 and 5902.30, for the entry in column (4), the entry “Rs. 10 per kilogram” shall be substituted;

(c) in sub-heading No. 5903.11, for the entry in column (4), the entry “30% plus the duty for the time being leviable on base fabrics, if not already paid” shall be substituted;

(d) in sub-heading No. 5903.19, in column (4), for the abbreviation and figure “Rs. 6”, the abbreviation and figure “Rs. 7” shall be substituted;

(e) in sub-heading No. 5903.21, for the entry in column (4), the entry “30% plus the duty for the time being leviable on base fabrics, if not already paid” shall be substituted;

(f) in sub-heading No. 5903.29, in column (4), for the abbreviation and figures “Rs. 7.50”, the abbreviation and figures “Rs. 8.50” shall be substituted;

(g) in sub-heading No. 5903.91, for the entry in column (4), the entry “30% plus the duty for the time being leviable on base fabrics, if not already paid” shall be substituted;

(h) in sub-heading No. 5903.99, in column (4), for the abbreviation and figure “Rs. 8”, the abbreviation and figure “Rs. 9” shall be substituted;

(i) in sub-heading Nos. 5905.10 and 5905.20, for the entry in column (4), the entry “10%” shall be substituted;

(j) in sub-heading No. 5908.00, for the entry in column (4), the entry “30%” shall be substituted;

(22) in Chapter 64,—

(a) in sub-heading No. 6401.11, for the entry in column (4), the entry “20%” shall be substituted;

(b) in sub-heading No. 6401.91, for the entry in column (4), the entry “20%” shall be substituted;

(c) in sub-heading No. 6402.00, for the entry in column (4), the entry “15%” shall be substituted;

(23) in Chapter 68,—

(a) in sub-heading No. 6801.10, for the entry in column (4), the entry “20%” shall be substituted;

(b) in sub-heading No. 6802.00, for the entry in column (4), the entry “20%” shall be substituted;

(c) in sub-heading Nos. 6804.10, 6804.20, 6804.30 and 6804.90, for the entry in column (4), the entry “25%” shall be substituted;

(d) in sub-heading No. 6805.10, for the entry in column (4), the entry “25%” shall be substituted;

(e) in sub-heading No. 6806.10, for the entry in column (4), the entry “25%” shall be substituted;

(f) in sub-heading No. 6806.90, for the entry in column (4), the entry “20%” shall be substituted;

(g) in sub-heading No. 6807.00, for the entry in column (4), the entry “20%” shall be substituted;

(24) in Chapter 69,—

(a) in sub-heading Nos. 6901.00, 6902.10, 6902.90, 6903.10, 6903.90 and 6904.10, for the entry in column (4), the entry “15%” shall be substituted;

(b) in sub-heading No. 6908.10, for the entry in column (4), the entry “40%” shall be substituted;

(c) in sub-heading No. 6909.10, for the entry in column (4), the entry “20%” shall be substituted;

(d) in sub-heading No. 6909.20, for the entry in column (4), the entry “40%” shall be substituted;

(25) in Chapter 70,—

(a) in sub-heading No. 7002.10, in column (4), for the abbreviation and figures “Rs. 3.75”, the abbreviation and figures “Rs. 10” shall be substituted;

(b) in sub-heading No. 7002.20, in column (4), for the abbreviation and figures “Rs. 3.50”, the abbreviation and figures “Rs. 10” shall be substituted;

(c) in sub-heading No. 7003.00, in column (4), for the abbreviation and figures “Rs. 3.75”, the abbreviation and figures “Rs. 10” shall be substituted;

(d) in sub-heading No. 7004.10, for the entry in column (4), the entry “40% plus Rs. 50 per millimetre thickness or part thereof per square metre” shall be substituted;

(e) in sub-heading No. 7004.20, for the entry in column (4), the entry “50% plus Rs. 50 per millimetre thickness or part thereof per square metre” shall be substituted;

- (f) in sub-heading No. 7006.90, for the entry in column (4), the entry, "40% plus Rs. 15 per millimetre thickness or part thereof per square metre" shall be substituted;
- (26) in Chapter 74, in sub-heading No. 7405.90, for the entry in column (4), the entry "20%" shall be substituted;
- (27) in Chapter 83, in sub-heading No. 8312.12, for the entry in column (4), the entry "20% plus Rs. 100 per container" shall be substituted;
- (28) in Chapter 85,—
- (a) in sub-heading No. 8501.00, for the entry in column (4), the entry "25%" shall be substituted;
- (b) in sub-heading No. 8506.00, for the entry in column (4), the entry "35%" shall be substituted;
- (c) in sub-heading No. 8539.00, for the entry in column (4), the entry "35% plus Rs. 10 per lamp" shall be substituted.

## PART II

Heading No.	Sub-heading No.	Description of goods	Rate of duty
(1)	(2)	(3)	(4)

In the Schedule to the Central Excise Tariff Act,—

(1) in Chapter 19, for sub-heading Nos. 1902.10, 1902.20 and 1902.90, the following sub-headings shall be substituted, namely:—

"1902.10—Put up in unit containers and ordinarily intended for sale 15%;

1902.90—Other *NIL*";

(2) in Chapter 24,—

(a) after sub-heading No. 2404.12, the following sub-heading shall be inserted, namely:—

"2404.13 — Cut-tobacco 10 paise per kilogram";

(b) for sub-heading Nos. 2404.41 and 2404.42, the following shall be substituted, namely:—

"Chewing tobacco including preparations commonly known as "Khara Masala", "Kimam", "Dokta", "Zarda", "Sukha" and "Surli":

2404.41—Bearing a brand name 20%;

(c) for sub-heading Nos. 2404.51 and 2404.52, the following sub-heading shall be substituted, namely:—

"2404.50—Snuff of tobacco 20%";

(3) in Chapter 28, for heading No. 28.29, the following heading shall be substituted, namely:—

"28.29 CHLORATES AND PERCHLORATES;  
BROMATES AND PERBROMATES;  
IODATES AND PERIODATES

2829.10 —Potassium Chlorate Rs. 100 per kilogram

2829.90 —Other 15%"

(1)	(2)	(3)	(4)
(4) in Chapter 34, for sub-heading Nos. 3401.11 and 3401.12, the following sub-heading shall be substituted, namely :—			
	"3401.10 —Soap in any form		25%";
(5) in Chapter, 52—			
	(a) for sub-heading Nos. 5206.32, 5206.33, 5206.34, 5206.35 and 5206.36, the following sub- headings shall be substituted, namely :—		
	5206.32 ——Of value exceeding rupees five but not exceeding rupees ten per square metre	20 paise per square metre	
	5206.33 ——Of value exceeding rupees ten but not exceeding rupees fifteen per square metre	50 Paise per square metre	
	5206.34 ——Of value exceeding rupees fifteen but not exceeding rupees twenty-five per square metre	80 paise per square metre	
	5206.35 ——Of value exceeding rupees twenty-five but not exceeding rupees fifty per square metre	8%	
	5206.36 ——Of value exceeding rupees fifty per square metre	8%";	
	(b) for sub-heading Nos. 5206.37, 5206.38, 5206.39 and 5206.90, the following sub-headings shall be substituted namely :—		
	"—Other fabrics		
	5206.91 ——Of value not exceeding rupees fifteen per square metre	50 paise per square metre	
	5206.92 ——Of value exceeding rupees fifteen but not exceeding rupees twenty-five per square metre	80 paise per square metre	
	5206.93 ——Of value exceeding rupees twenty-five but not exceeding rupees fifty per square metre	8%	
	5206.94 ——Of value exceeding rupees fifty per square metre	8%";	
	(c) for heading No. 52.09 the following heading shall be substituted namely:—		
	"52.09 COTTON FABRICS,—		
	(a) WOVEN,		
	(b) SUBJECTED TO THE PROCESS OF BLEACHING, MERCERISING, DYEING, PRINTING, WATERPROOFING, SHRINKPROOFING, ORGANIE PROCESSING OR ANY OTHER PROCESS OR ANY TWO OR MORE OF THESE PROCESSES,		
	(c) CONTAINING (i) COTTON, AND (ii) POLYESTER STAPLE FIBRE OR POLYESTER FILAMENT YARN, OR BOTH (BUT NOT CONTAINING ANY OTHER TEXTILE MATERIAL), AND		
	(d) IN WHICH THE PROPORTION OF POLYESTER STAPLE FIBRE OR FILAMENT YARN OR BOTH IS MORE THAN 40% BY WEIGHT OF THE TOTAL FIBRE CONTENT		
	5209.10 ——Of value not exceeding rupees twenty-five per square metre	Nil	
	5209.20 ——Of value exceeding rupees twenty-five per square metre	Nil";	

(1)	(2)	(3)	(4)
(d) for sub-heading Nos. 5210.20 and 5210.30, the following sub-heading shall be substituted, namely:—			
"5210.20	-Of value exceeding rupees twenty-five per square metre		<i>Nil</i> ;
(e) in Chapter 54, for sub-heading No. 5412.30, the following sub-heading shall be substituted, namely:—			
"5412.30	-Of value exceeding rupees fifty but not exceeding rupees one hundred per square metre		<i>Nil</i>
5412.40	-Of value exceeding rupees one hundred per square metre		<i>Nil</i> ;
(f) in Chapter 55,—			
(a) for heading No. 55.08, the following heading shall be substituted namely:—			
"55.08	FABRICS OF MAN-MADE STAPLE FIBRES, EXCLUDING FABRICS COVERED UNDER HEADING NOS. 55.11 AND 55.12,—		
(a) WOVEN ON LOOMS OTHER THAN HANDLOOMS, AND			
(b) SUBJECTED TO THE PROCESS OF BLEACHING, DYEING, PRINTING, SHRINKPROOFING, STENTERING, HEAT-SETTING, CREASE-RESISTANT PROCESSING OR ANY OTHER PROCESS OR ANY TWO OR MORE OF THESE PROCESSES WITH THE AID OF POWER OR STEAM			
5508.10	-Of value not exceeding rupees ten per square metre		<i>Nil</i>
5508.20	-Of value exceeding rupees ten but not exceeding rupees twenty per square metre		<i>Nil</i>
5508.30	-Of value exceeding rupees twenty but not exceeding rupees twenty-five per square metre		<i>Nil</i>
5508.40	-Of value exceeding rupees twenty-five but not exceeding rupees fifty per square metre		<i>Nil</i>
5508.50	-Of value exceeding rupees fifty but not exceeding rupees one hundred per square metre		<i>Nil</i>
5508.60	-Of value exceeding rupees one hundred per square metre		<i>Nil</i> ;
(b) for sub-heading No. 5511.13, the following sub-heading shall be substituted, namely:—			
"5511.13	-Of value exceeding rupees fifty but not exceeding rupees one hundred per square metre		<i>Nil</i>
5511.14	-Of value exceeding rupees one hundred per square metre		<i>Nil</i>

(1)	(2)	(3)	(4)
<p>(c) for sub-heading No. 5511.29, the following sub-headings shall be substituted, namely:—</p>			
"5511.28	- Other fabrics of value exceeding rupees fifty but not exceeding rupees one hundred per square metre	Nil	
5511.29	- Other fabrics of value exceeding rupees one hundred per square metre	Nil";	
<p>(d) for sub-heading No. 5512.13, the following sub-headings shall be substituted, namely:—</p>			
"5512.13	- Of value exceeding rupees fifty but not exceeding rupees one hundred per square metre	Nil	
5512.14	- Of value exceeding rupees one hundred per square metre	Nil";	
<p>(e) for sub-heading No. 5512.29, the following sub-headings shall be substituted, namely:—</p>			
"5512.28	- Other fabrics of value exceeding rupees fifty but not exceeding rupees one hundred per square metre	Nil	
5512.29	- Other fabrics of value exceeding rupees one hundred per square metre	Nil";	
<p>(8) in Chapter 69, for sub-heading No. 6906.10, the following sub-heading shall be substituted, namely:—</p>			
"6906.10	- Glazed tiles	50%";	
<p>(9) in Chapter 84, after sub-heading No. 8414.10, the following sub-heading shall be inserted, namely:—</p>			
"8414.20	- Electric fans	15% plus Rs. 100 per fan";	
<p>(10) in Chapter 85, for heading No. 85.40, the following shall be substituted, namely:—</p>			
"85.40	THERMIONIC, COLD CATHODE OR PHOTO-CATHODE VALVES AND TUBES (FOR EXAMPLE, VACUUM OR VAPOUR OR GAS FILLED VALVES AND TUBES, MERCURY ARC RECTIFYING VALVES AND TUBES, CATHODE-RAY TUBES, TELEVISION CAMERA TUBES)		
	- Cathode-Ray television picture tubes:		
8540.11	- Colour	Rs. 600/- per tube	
8540.12	- Black and White	Rs. 150/- per tube	
8540.90	- Other	15%."	

## THE FOURTH SCHEDULE

*(See section 99)*

### PART I

In the First Schedule to the Additional Duties of Excise Act—

- (1) in sub-heading No. 1701.39, for the entry in column (4), the entry “Rs. 36 per quintal” shall be substituted;
- (2) in heading No. 24.04, in column (3), in the portion occurring before sub-heading No. 2404.11, for the words “-Smoking mixtures of tobacco for pipes and cigarettes”, the words “-Smoking mixtures of tobacco for pipes and cigarettes; cut-tobacco” shall be substituted;
- (3) sub-heading No. 2404.32 shall be renumbered as sub-heading No. 2404.39;
- (4) in sub-heading No. 5206.20, in column (4), for the words, abbreviation and figures “sub-heading Nos. 5206.31 to 5206.39 and 5206.90”, the words abbreviation and figures “sub-heading Nos. 5206.31 to 5206.36 and 5206.91 to 5206.94” shall be substituted;
- (5) in sub-heading No. 5206.32, for the entry in column (3), the entry “- Of value exceeding rupees five but not exceeding rupees ten per squaremetre” shall be substituted;
- (6) in sub-heading No. 5206.33, for the entry in column (3), the entry “- Of value exceeding rupees ten but not exceeding rupees fifteen per square metre” shall be substituted;
- (7) in sub-heading No. 5206.34, for the entry in column (3), the entry “- Of value exceeding rupees fifteen but not exceeding rupees twenty-five per square metre” shall be substituted;
- (8) in sub-heading No. 5206.35, for the entry in column (3), the entry “- Of value exceeding rupees twenty-five but not exceeding rupees fifty per square metre” shall be substituted;
- (9) in sub-heading No. 5206.36, for the entry in column (3), the entry “- Of value exceeding rupees fifty per square metre” shall be substituted;
- (10) in sub-heading No. 5207.20, in column (4), for the words, abbreviation and figures “sub-heading Nos. 5206.31 to 5206.39 and 5206.90”, the words, abbreviation and figures “sub-heading Nos. 5206.31 to 5206.36 and 5206.91 to 5206.94” shall be substituted;
- (11) in sub-heading Nos. 5207.90 and 5208.19, for the entry in column (4), the entry “Fifty per cent. of the duty leviable under sub-heading Nos. 5206.31 to 5206.36 and 5206.91 to 5206.94, as the case may be, depending upon the average count of the yarn in the fabric and the value per square metre of the fabric” shall be substituted;
- (12) in sub-heading Nos. 5208.22 and 5208.29, in column (4), for the words, abbreviation and figures “sub-heading Nos. 5206.31 to 5206.39 and 5206.90”, the words, abbreviation and figures “sub-heading Nos. 5206.31 to 5206.36 and 5206.91 to 5206.94” shall be substituted;
- (13) in sub-heading Nos. 5211.10 and 5211.20, for the entry in column (4), the entry “15 %” shall be substituted;

(14) sub-heading Nos. 5511.27 and 5511.28 shall be renumbered as sub-heading Nos. 5511.26 and 5511.27 respectively;

(15) sub-heading Nos. 5512.27 and 5512.28 shall be renumbered as sub-heading Nos. 5512.26 and 5512.27 respectively.

#### PART II

Heading No.	Sub-heading No.	Description of goods	Rate of additional duty
(1)	(2)	(3)	(4)

In the First Schedule to the Additional Duties of Excise Act,—

(1) after sub-heading No. 2404.12, the following sub-heading shall be inserted, namely:—

“2404.13 -- Cut tobacco *Nil*”;

(2) for sub-heading Nos. 2404.41 and 2404.42, the following shall be substituted, namely:—

“ - Chewing tobacco including preparations commonly known as “Khara Masala”, “Kimaam”, “Dokta”, “Zarda”, “Sukha” and “Surti” : ”

2404.41 -- Bearing a brand name 10%”;

(3) for the portion occurring after sub-heading No. 2404.49 and sub-heading Nos. 2404.51 and 2404.52, the following sub-heading shall be substituted, namely:—

“2404.50 - Snuff of tobacco 10%”;

(4) for sub-heading Nos. 5206.37, 5206.38, 5206.39 and 5206.90, the following sub-headings shall be substituted, namely:—

“Other fabrics :

5206.91	--Of value not exceeding rupees fifteen per square metre	10% <i>plus</i> Rs. 5 per square metre
5206.92	--Of value exceeding rupees fifteen but not exceeding rupees twenty-five per square metre	10% <i>plus</i> Rs. 5 per square metre
5206.93	--Of value exceeding rupees twenty-five but not exceeding rupees fifty per square metre	10% <i>plus</i> Rs. 5 per square metre
5206.94	--Of value exceeding rupees fifty per square metre	10% <i>plus</i> Rs. 5 per square metre”;

(5) for heading No. 52.09, the following heading shall be substituted, namely:—

“52.09 COTTON FABRICS,—

(a) WOVEN,

(b) SUBJECTED TO THE PROCESS OF BLEACHING, MERCERISING, DYEING, PRINTING, WATER-PROOFING, SHRINKPROOFING, ORGANIE PROCESSING OR ANY OTHER PROCESS OR ANY TWO OR MORE OF THESE PROCESSES,

(1)	(2)	(3)	(4)
		(c) CONTAINING (i) COTTON, AND (ii) POLYESTER STAPLE FIBRE OR POLYESTER FILAMENT YARN, OR BOTH (BUT NOT CONTAIN- ING ANY OTHER TEXTILE MATERIAL), AND	
		(d) IN WHICH THE PROPORTION OF POLYESTER STAPLE FIBRE OR FILAMENT YARN OR BOTH IS MORE THAN FORTY PER CENT. BY WEIGHT OF THE TOTAL FIBRE CONTENT	
5209.10	-Of value not exceeding rupees twenty-five per square metre		10% plus Rs. 5 per square metre
5209.20	-Of value exceeding rupees twenty-five per square metre		10% plus Rs. 5 per square metre";
		(6) for sub-heading Nos. 5210.20 and 5210.30, the following sub-heading shall be substituted, namely:—	
	"5210.20 —Of value exceeding rupees twenty-five per square metre		10% plus Rs. 5 per square metre";
		(7) for heading No. 54.09, the following heading shall be substituted, namely:—	
"54.09	FABRICS OF MAN-MADE FILAMENT YARN (INCLUDING FABRICS OBTAINED FROM MATERIALS OF HEADING NOS. 54.06 AND 54.07 BUT EXCLUDING FABRICS COVERED UNDER HEADING NO. 54.12),—		
	(a) WOVEN ON LOOMS OTHER THAN HANDLOOMS, AND		
	(b) SUBJECTED TO THE PROCESS OF BLEACHING, DYEING, PRINTING, SHRINKPROOFING, STENTERING, HEAT-SETTING, CREESE-RESISTANT PROCESSING OR ANY OTHER PROCESS OR ANY TWO OR MORE OF THESE PROCESSES WITH THE AID OF POWER OR STEAM		
5409.10	-Of value not exceeding rupees ten per square metre		10% plus Rs. 5 per square metre
5409.20	-Of value exceeding rupees ten but not exceeding rupees twenty per square metre		10% plus Rs. 5 per square metre
5409.30	-Of value exceeding rupees twenty but not exceeding rupees twenty-five per square metre		10% plus Rs. 5 per square metre
5409.40	-Of value exceeding rupees twenty-five but not exceeding rupees fifty per square metre		10% plus Rs. 5 per square metre
5409.50	-Of value exceeding rupees fifty but not exceeding rupees one hundred per square metre		15%
5409.60	-Of value exceeding rupees one hundred per square metre		20%";

(1)	(2)	(3)	(4)
(8) for sub-heading No. 5412.30, the following sub-headings shall be substituted, namely:—			
"5412.30	-Of value exceeding rupees fifty but not exceeding rupees one hundred per square metre	15%	
5412.40	-Of value exceeding rupees one hundred per square metre	20%" ;	
(9) for heading No. 55.08, the following heading shall be substituted, namely:—			
"55.08	FABRICS OF MAN-MADE STAPLE FIBRES (EXCLUDING FABRICS COVERED UNDER HEADING NOS. 55.11 AND 55.12),—		
	(a) WOVEN ON LOOMS OTHER THAN HANDLOOMS, AND		
	(b) SUBJECTED TO THE PROCESS OF BLEACHING, DYEING, PRINTING, SHRINKPROOFING, STENTERING, HEAT-SETTING, CREASE-RESISTANT PROCESSING OR ANY OTHER PROCESS OR ANY TWO OR MORE OF THESE PROCESSES WITH THE AID OF POWER OR STEAM		
5508.10	-Of value not exceeding rupees ten per square metre	10% plus Rs. 5 per square metre	
5508.20	-Of value exceeding rupees ten but not exceeding rupees twenty per square metre	10% plus Rs. 5 per square metre	
5508.30	-Of value exceeding rupees twenty but not exceeding rupees twenty-five per square metre	10% plus Rs. 5 per square metre	
5508.40	-Of value exceeding rupees twenty-five but not exceeding rupees fifty per square metre	10% plus Rs. 5 per square metre	
5508.50	-Of value exceeding rupees fifty but not exceeding rupees one hundred per square metre	15%	
5508.60	-Of value exceeding rupees one hundred per square metre	20%" ;	
(10) for sub-heading No. 5511.13, the following sub-headings shall be substituted, namely:—			
"5511.13	- - Of value exceeding rupees fifty but not exceeding rupees one hundred per square metre	15%	
5511.14	- - Of value exceeding rupees one hundred per square metre	20%" ;	
(11) for sub-heading No. 5511.29, the following sub-headings shall be substituted, namely:—			
"5511.28	- - Other fabrics of value exceeding rupees fifty but not exceeding rupees one hundred per square metre	15%	

(1)	(2)	(3)	(4)
5511·29	- Other fabrics of value exceeding rupees one hundred per square metre		20%";
(12) for sub-heading No. 5512.13, the following sub-headings shall be substituted, namely:—			
"5512·13	- Of value exceeding rupees fifty but not exceeding rupees one hundred per square metre		15%
5512·14	- Of value exceeding rupees one hundred per square metre		20%";
(13) for sub-heading No. 5512.29, the following sub-headings shall be substituted, namely:—			
"5512·28	- Other fabrics of value exceeding rupees fifty but not exceeding rupees one hundred per square metre		15%
5512·29	- Other fabrics of value exceeding rupees one hundred per square metre		20%".

### STATEMENT OF OBJECTS AND REASONS

The object of the Bill is to give effect to the financial proposals of the Central Government for the financial year 1987-88. The notes on clauses explain the various provisions contained in the Bill.

NEW DELHI;

RAJIV GANDHI.

*The 28th February, 1987.*

### PRESIDENT'S RECOMMENDATION UNDER ARTICLES 117 AND 274 OF THE CONSTITUTION OF INDIA

[Copy of letter No. F. 3(1)-B(D)/87, dated the 28th February, 1987 from Shri Rajiv Gandhi, Prime Minister and Minister of Finance, to the Secretary-General, Lok Sabha.]

The President, having been informed of the subject matter of the proposed Bill, recommends under clause (1) of article 117, read with clause (1) of article 274, of the Constitution of India, the introduction of the Finance Bill, 1987, to the Lok Sabha.

2. The Bill will be introduced in the Lok Sabha immediately after the presentation of the Budget on the 28th February, 1987.

### NOTES ON CLAUSES

Clause 2, read with the First Schedule to the Bill, seeks to prescribe the rates at which income-tax is to be levied on income chargeable to tax for the assessment year 1987-88. Further, it lays down the rates at which tax is to be deducted at source during the financial year 1987-88 from incomes subject to such deduction under the Income-tax Act; and the rates at which "advance tax" is to be paid and tax is to be calculated and charged in special cases for the financial year 1987-88.

#### *Rates of income-tax for the assessment year 1987-88:*

Part I of the First Schedule to the Bill specifies the rates of income-tax on incomes liable to tax for the assessment year 1987-88. These rates are the same as those specified in Part III of the First Schedule to the Finance Act, 1986 for the purposes of deduction of tax at source from "Salaries" and for computation of "advance tax" payable during the financial year 1986-87.

#### *Rates for deduction of tax at source during the financial year 1987-88 from income other than "Salaries":*

Part II of the First Schedule to the Bill specifies the rates at which income-tax is to be deducted at source during the financial year 1987-88 from incomes other than "Salaries" and retirement annuities under section 80E(9) of the Income-tax Act.

During the financial year 1987-88, certain new categories of incomes will be subject to deduction of tax at source. Incomes earned by any person who is resident in India, *inter alia*, by way of fees for professional services, royalty, fees for technical services, commission or brokerage paid by persons other than individuals and Hindu undivided families, will now be liable to deduction of tax at source if such incomes exceed certain monetary limits. The rate of deduction of tax on these incomes is proposed at twenty per cent. in the case of any person who is resident and who is not a company. In the case of such incomes accruing to domestic companies, the rate of deduction of tax at source is proposed at twenty-five per cent. In the case of such incomes accruing to any person who is not a resident and who is not a company, the rate of deduction of tax is proposed at thirty per cent. or the income-tax in respect of the income computed at the rates prescribed in Sub-Paragraph I of Paragraph A of Part III of the First Schedule, as if such income had been the total income, whichever is higher.

Income by way of rent will also be subject to deduction of tax at source if such rent is paid by persons other than individuals and Hindu undivided families. The rate of deduction of tax at source on the income earned by any person who is a resident in India or a domestic company is proposed at ten per cent. if such income exceeds thirty-six thousand rupees but does not exceed forty-eight thousand rupees. The rate of deduction of tax in such cases is proposed at twenty per cent. in a case where income by way of rent exceeds forty-eight thousand rupees.

In case of a person who is not resident in India and who is not a company, the tax deductible at source will be the tax at these rates or the income-tax as computed at the rates prescribed in Sub-Paragraph I of Paragraph A of Part III of the First Schedule, whichever is higher.

Payments made by any Government or a local authority or a public sector corporation or any company to any person resident in India or a domestic company for supply of goods will be subject to deduction of tax at source at the rate of five per cent. In the case of such income accruing to any person who is not a resident and who is not a company, the rate of deduction of tax is proposed at five per cent. or income-tax computed at the rates prescribed in Sub-Paragraph I of Paragraph A of Part III of the First Schedule as if such income had been the total income, whichever is higher.

In the case of any company which is not a domestic company, the rates of deduction of tax at source in respect of dividends payable by any domestic company or interest or royalty or fees for technical services or interest payable on tax-free security remain unchanged. The rate of deduction of tax in respect of any other income accruing to such a company is proposed to be retained at sixty-five per cent.

*Rates for deduction of tax at source from "Salaries" and retirement annuities, computation of "advance tax" and charging of income-tax in special cases during the financial year 1987-88:*

Part III of the First Schedule to the Bill specifies the rates at which income-tax is to be deducted at source from "Salaries" and retirement annuities referred to in section 80E(9) of the Income-tax Act and also the rates at which "advance tax" is to be paid and income-tax is to be calculated or charged in special cases for the financial year 1987-88.

The basic rates of income-tax are the same as those specified in Part I of the First Schedule to the Bill for the assessment of income liable to tax for the assessment year 1987-88.

Clause 3 seeks to amend section 2 of the Income-tax Act relating to definitions.

Under the existing provisions of sub-clause (e) of clause (22) of section 2, any payment by way of advance or loan by a company, not being a company in which the public are substantially interested, to a shareholder who has substantial interest in the company, is includable as a dividend.

Sub-clause (a) of this clause seeks to secure that any payment by way of advance or loan to any shareholder or to any concern in which the shareholder is a member or a partner and in which he has a substantial interest shall be includable as dividend.

The expression "concern", for the purposes of this provision, means a Hindu undivided family or a firm or an association of persons or a body of individuals or a company. Further, a person shall be deemed to have a substantial interest in a concern, other than a company, if such person is at any time during the previous year beneficially entitled to not less

than twenty per cent. of the income of such concern. In relation to a company, the provisions of clause (32) of section 2 will apply.

Sub-clause (b) seeks to insert a new sub-clause (x) in clause (24) of this section.

The proposed amendment seeks to provide that any sum received by the assessee from his employees as contributions to any fund for the welfare of such employees will be included in the income of the assessee.

Sub-clause (c) seeks to insert two new clauses (29A) and (29B).

New clause (29A) seeks to define "long-term capital asset" to mean a capital asset which is not a short-term capital asset. New clause (29B) seeks to define the expression "long-term capital gain" as a capital gain arising from the transfer of a long-term capital asset.

Sub-clause (d) seeks to insert a new clause (36A) in this section with effect from the 1st day of April, 1987.

The proposed amendment seeks to define "public sector company" to mean any corporation established by or under any Central, State or Provincial Act or a Government company within the meaning of section 617 of the Companies Act, 1956.

Sub-clause (e) seeks to amend clause (42A) of this section.

Under the existing provisions, a "short-term capital asset" means a capital asset held by an assessee for thirty-six months or less, immediately preceding the date of its transfer.

The proposed amendment seeks to provide that in the case of a share held in a company, the share shall be treated as a short-term capital asset if it is held by the assessee for twelve months or less, immediately preceding the date of its transfer.

Sub-clause (f) of this clause seeks to insert a new clause (42B) in this section which defines the expression "short-term capital gain" to mean capital gain arising from the transfer of a short-term capital asset.

Sub-clause (g) of this clause seeks to insert two new sub-clauses in clause (47) of this section which deals with the definition of the expression "transfer". Sub-clause (v) refers to any transaction involving the allowing of the possession of any immovable property to be taken or retained in part performance of a contract of the nature referred to in section 53A of the Transfer of Property Act, 1882 to be a transfer, while sub-clause (vi) includes any transaction which has the effect of transferring or enabling the enjoyment of any immovable property also as a transfer.

The expression "immovable property", occurring in these two new sub-clauses, will have the same meaning as in clause (d) of section 269UA of the Act.

These amendments [other than amendment by sub-clause (d)] will take effect from 1st April, 1988 and will, accordingly, apply in relation to the assessment year 1988-89 and subsequent years.

Clause 4 seeks to amend section 10 of the Income-tax Act.

Sub-clause (a) of this clause proposes to insert a new clause (10C) in this section. Under the proposed amendment, any payment received by an employee of a public sector company at the time of his voluntary retirement in accordance with any scheme which the Central Government may, having regard to the economic viability of the public sector company and other relevant circumstances, approve in this behalf, shall be exempt from tax.

This amendment will take effect from 1st April, 1987 and will, accordingly, apply in relation to the assessment year 1987-88 and subsequent years.

Sub-clause (b) seeks to amend clause (15) of this section.

Under the existing provisions, interest on deposits in the Post Office Savings Banks and bonus in respect of deposits under the Post Office Savings Bank (Cumulative Time Deposits) Rules, 1959 are exempt from tax. Similarly, interest in a Public Account of the nature referred to in item (3) in the Table below rule 3 of the Post Office Savings Banks Rules, 1965 is exempt up to a specified limit. The Post Office Savings Bank (Cumulative Time Deposits) Rules, 1959 and the Post Office Savings Banks Rules, 1965 were substituted by the Post Office Cumulative Time Deposit Rules, 1981 and the Post Office Savings Account Rules, 1981, respectively. The proposed amendments in sub-clause (i) of this clause seek to substitute references to these rules currently applicable, for the references to the rules which are no longer in force.

These amendments will take effect retrospectively from 1st April 1983, and will, accordingly, apply in relation to the assessment year 1983-84 and subsequent years.

Sub-clause (ii) seeks to insert a new item in sub-clause (iv) of clause (15) of this section.

This amendment seeks to provide that interest payable by public sector companies on certain specified bonds and debentures will not form part of the assessee's total income subject to such conditions, including the condition that the holder of such bonds or debentures registers his name and his holding with that company, as may be specified by the Central Government by notification in the Official Gazette.

This amendment will take effect from 1st April, 1987 and will, accordingly, apply in relation to the assessment year 1987-88 and subsequent years.

Sub-clause (c) seeks to amend clause (17) of this section.

Under the existing provisions, daily allowance received by Members of Parliament and members of any State Legislature or committees thereof is exempt from tax. In addition, in the case of Members of Parliament, all other allowances, not exceeding twelve hundred and fifty rupees per month, and in the case of members of State Legislature, an amount not exceeding six hundred rupees per month, as may be notified by the Central Government in the Official Gazette, are exempt from tax.

The proposed amendment seeks to provide that in the case of Members of Parliament any allowance received under the Members of Parliament (Constituency Allowance) Rules, 1986 shall, in addition to the daily allowance, be exempt from income-tax.

This amendment will take effect retrospectively from 1st April, 1986 and will, accordingly, apply in relation to the assessment year 1986-87 and subsequent years.

Clause 5 seeks to amend section 10A of the Income-tax Act relating to special provision in respect of newly established industrial undertakings in free trade zones.

Under the existing provisions of the section, any profits and gains of an industrial undertaking engaged in the manufacture or production of articles or things in a free trade zone are exempt from tax for a certain number of years. The proposed amendment seeks to clarify that the manufacturing activity will also include the activities of processing, assembling or recording of programmes on any disc, tape, perforated media or other information storage device for the purposes of the said provisions.

This amendment will take effect retrospectively from 1st April, 1981 and will, accordingly, apply in relation to the assessment year 1981-82 and subsequent years.

Clause 6 seeks to amend section 27 of the Income-tax Act which defines "owner of house property".

The amendment seeks to enlarge the meaning of "owner of building" given in clause (iii) by providing that a person who comes to have control over the property by virtue of the transactions as are referred to in clause (f) of sub-section (2) of section 269UA, will also be deemed to be the owner of the property. The amendment also seeks to enlarge the applicability of this clause to a company or other association of persons.

This amendment will take effect from 1st April, 1988 and will, accordingly, apply in relation to the assessment year 1988-89 and subsequent years.

Clause 7 seeks to amend section 32AB of the Income-tax Act relating to Investment deposit account.

Sub-clause (a) seeks to amend sub-section (1) of section 32AB to clarify that the deduction under that sub-section shall be allowed in respect of the profits and gains of eligible business or profession computed before loss, if any, brought forward from earlier years is set off under section 72 of the Income-tax Act. Further, in a case where the eligible business or profession is carried on by a firm or an association of persons or a body of individuals, deduction shall not be allowable in the case of its partner or member.

Sub-clause (b) seeks to insert definition of the terms "new ship", "new aircraft", "new machinery or plant" and "Tea Board".

Sub-clause (c) seeks to amend sub-section (3) to clarify that the profits of eligible business or profession as computed in accordance with the provisions of clause (a) of sub-section (3) shall be the profits before deducting, *inter alia*, the amount of income-tax paid or payable or any

provision therefor if such amounts are debited to the profit and loss account.

Sub-clause (d) seeks to insert new sub-sections (5A) and (5B). It is proposed to provide that amounts deposited in accordance with the schemes framed or approved under sub-section (1) shall not be permitted to be withdrawn before the expiry of a period of five years from the date of deposit except in cases of (a) closure of business, (b) death of the assessee, (c) partition of a Hindu undivided family, (d) dissolution of a firm, (e) liquidation of a company and (f) in such other circumstance as may be specified in the scheme.

The proposed sub-section (5B) seeks to clarify that where any expenditure in respect of which a deduction is allowable under other provisions of the Income-tax Act, is met wholly or partly by utilising the amounts standing to the credit of the assessee in the deposit account, in respect of which a deduction is allowed under sub-section (1) of section 32AB, then such expenditure shall be reduced by the amounts so utilised.

Sub-clause (e) amends sub-section (6) to provide that the amount standing to the credit of the assessee in the deposit account may be utilised in accordance with, and within the time specified in, the scheme.

These amendments will take effect from 1st April, 1987 and will, accordingly, apply in relation to the assessment year 1987-88 and subsequent years.

Clause 8 seeks to amend sub-section (5) of section 33AB of the Income-tax Act relating to Tea Development Account.

The proposed amendment seeks to provide that the provisions of the section shall apply only in relation to assessment years 1986-87 and 1987-88.

This amendment will take effect from 1st April, 1988.

Clause 9 seeks to insert a new clause (va) in sub-section (1) of section 36 of the Income-tax Act relating to certain deductions allowed under the Act.

The proposed amendment seeks to provide that deductions in respect of any sum received by the assessee as contribution from his employees towards any welfare fund of such employees will be allowed only if such sum is credited by the assessee to the employee's account in the relevant fund on or before the due date. "Due date" for the purposes of this section will mean the date by which the assessee is required as an employer to credit such contribution to the employee's account in the relevant fund under the provisions of any law or term of contract of service or otherwise.

This amendment will take effect from 1st April, 1988 and will, accordingly, apply in relation to the assessment year 1988-89 and subsequent years.

Clause 10 seeks to amend section 43B of the Income-tax Act relating to allowability of certain expenses only on actual payment.

It is proposed to insert two provisos. The first proviso seeks to provide that the section shall not apply to any sum referred to in clause (a) if the sum is actually paid on or before the date on which the return of income is due to be furnished under sub-section (1) of section 139 for the previous year in which the liability to pay such sum was incurred. The second proviso seeks to provide that no deduction shall be allowed in regard to the sum referred to in clause (b) unless such sum has actually been paid during the previous year on or before the due date. The due date for the purposes of this proviso shall be the due date as under *Explanation* to clause (va) of sub-section (1) of section 36.

This amendment will take effect from 1st April, 1988 and will, accordingly, apply in relation to the assessment year 1988-89 and subsequent years.

Clause 11 seeks to insert a new section 44BB in the Income-tax Act.

Under the proposed provisions, the income of an assessee engaged in the business of providing services and facilities in connection with, or supplying plant and machinery on hire used or to be used in, the exploration for and exploitation of mineral oils will be determined at 10 per cent. of the aggregate of certain amounts. The amounts in respect of which the provisions will apply would be the amounts paid or payable to the assessee or to any person on his behalf, whether in or out of India, on account of the provision of services or facilities in connection with, or the supply of plant and machinery on hire used or to be used in the exploration for and exploitation of mineral oils in India. The amount will also include the amounts received or deemed to have been received in India by or on behalf of the assessee on account of such services or facilities or the supply of plant and machinery on hire in respect of the exploration for and exploitation of mineral oils outside India.

This amendment will take retrospective effect from 1st April, 1983 and will, accordingly, apply in relation to the assessment year 1983-84 and subsequent years.

Clause 12 seeks to insert a new section 44BBA in the Income-tax Act to provide for determination of income at a flat rate of receipts in the case of a non-resident engaged in the business of operation of aircraft.

Under the existing provisions, the income of a non-resident engaged in the business of operation of aircraft is computed after allowing deductions for all expenses and statutory deductions like depreciation, etc. The new section seeks to provide that the income from such business shall be computed at a flat rate of five per cent. of the amount received or receivable by or on behalf of the assessee for carriage of passengers, live-stock, mail or goods from any place in India and the amount received or deemed to be received in India on account of such carriage from any place outside India.

This amendment will take effect from 1st April, 1988 and will accordingly, apply in relation to the assessment year 1988-89 and subsequent years.

Clause 13 seeks to amend section 45 of the Income-tax Act relating to capital gains.

Sub-clause (a) seeks to amend sub-section (1) to include references to new sections 54G and 54H.

Sub-clause (b) seeks to insert new sub-sections (3), (4), (5) and an *Explanation*. New sub-sections (3) and (4) seek to provide that profits or gains arising from the transfer of a capital asset by a partner to a firm or by a member to an association of persons or body of individuals shall attract capital gains tax. New sub-section (5) seeks to provide that the initial compensation awarded or determined or approved on compulsory acquisition of property shall be deemed to be assessee's income of the previous year in which the transfer took place. In case any enhanced compensation is received subsequently, the compensation so received will be charged to tax as capital gains of the year in which such amount is received.

*Explanation* to this section clarifies, *inter alia*, that in case of enhanced compensation received, the cost of acquisition and improvement shall be taken to be *nil*. It also seeks to clarify that if due to the death of the original transferee or for any other reason enhanced compensation is received by any other person, it shall be deemed to be the income of the actual recipient.

These amendments will take effect from 1st April, 1988 and will, accordingly, apply in relation to the assessment year 1988-89 and subsequent years.

Clause 14 seeks to omit clause (ii) of section 47 of the Income-tax Act relating to transactions not regarded as transfer.

Under the existing provisions, any distribution of capital assets on the dissolution of a firm, body of individuals or other association of persons is not regarded as a transfer. Consequent upon the amendments being made to section 45, the provisions of clause (ii) of section 47 are being omitted.

This amendment will take effect from 1st April, 1988 and will, accordingly, apply in relation to the assessment year 1988-89 and subsequent years.

Clause 15 seeks to substitute a new section for section 48 relating to mode of computation and deductions.

Under the existing provisions, capital gain is computed by deducting from the consideration received as a result of the transfer of the capital asset, expenditure incurred in connection with such transfer, the cost of acquisition of the asset and the cost of improvement thereto. In addition to the aforesaid deductions, section 80T provides for certain deductions in respect of long-term capital gains arising on transfer of a capital asset by a non-corporate assessee. In case of a corporate assessee, concessional treatment in respect of long-term capital gains is allowed, not by way of deduction, but through lower rates of tax prescribed in section 115.

Statutory deductions or concessions, as the case may be, hitherto available in sections 80T and 115, are being incorporated in section 48 itself. Also, a uniform system of deductions from long-term capital gains arising to noncorporate as well as corporate assessees is being adopted in place

of lower rates of tax for corporate assessees as at present. Since the statutory deductions are being incorporated in section 48 itself, the present sections 80T and 115 are being omitted.

Sub-section (1) of the new section enumerates deductions already available in the existing section for computing the capital gains. It also provides that in the case of long-term capital gains, further deductions as specified in sub-section (2) will be allowed.

Sub-section (2) provides the rates of statutory deduction in respect of long-term capital gains as under:—

	Gains from real estate, bullion, gold or jewellery	Gains from other assets
1. Non-corporate assessees	50%	60%
2. Corporate assessees	10%	30%

The deductions mentioned above will be in addition to the threshold deduction of Rs. 10,000 which shall be allocable to all assessees.

The first proviso to sub-section (2) lays down the order of deductions in a case where the long-term capital gains relate to real estate, gold, bullion or jewellery as well as any other asset.

The second proviso provides that in relation to the amount received as enhanced compensation, the initial deduction of ten thousand rupees allowable under sub-section (2) will be reduced by the deduction already allowed under clause (a) of section 80T in the assessment for the assessment year 1987-88 or any earlier assessment year or by the deduction allowed under clause (a) of the new sub-section (2).

Sub-section (3) provides that long-term capital loss where it exceeds Rs. 10,000 shall be scaled down by the same percentage of deduction as is applicable to long-term capital gains.

These amendments will take effect from 1st April, 1988 and will, accordingly, apply in relation to the assessment year 1988-89 and subsequent years.

Clause 16 seeks to amend section 49 of the Income-tax Act relating to determination of cost with reference to certain modes of acquisition.

Under the existing provisions, where the capital asset becomes the property of the assessee on any distribution of assets on the dissolution of a firm, body of individuals or other association of persons, the cost of acquisition of assets is deemed to be the cost for which the previous owner of the property acquired it, subject to certain adjustments relating to improvements, etc.

Under the proposed amendment, the aforesaid provisions will apply only if the dissolution takes place any time before the 1st April, 1987.

This amendment will take effect from 1st April, 1988.

Clause 17 seeks to omit section 52 of the Income-tax Act relating to consideration for transfer in cases of understatement.

This amendment will take effect from 1st April, 1988.

Clause 18 seeks to amend section 53 of the Income-tax Act relating to exemption of capital gain arising on sale of a residential house belonging to an individual if the consideration does not exceed Rs. 2 lakhs. If the consideration exceeds Rs. 2 lakhs, capital gain would be exempted proportionately.

Under the proposed amendment, this benefit which is at present available to individuals only, is being extended to Hindu undivided families also. Further, an *Explanation* is being inserted to the effect that references to capital gain in certain sections specified in the *Explanation* shall be construed as references to the amount of capital gain as computed under new section 48(1) (a).

These amendments will take effect from 1st April, 1988 and will, accordingly, apply in relation to the assessment year 1988-89 and subsequent years.

Clause 19 seeks to amend section 54 of the Income-tax Act relating to exemption of capital gains on the transfer of a residential house.

Under the existing provisions, if an assessee, being an individual, transfers his residential house giving rise to capital gains and purchases a residential house within one year before or two years after the date of such transfer or constructs a residential house within three years after that date, the capital gain is exempted to the extent such gain has been utilised for the aforesaid purposes.

Under the proposed amendment of sub-section (1) by sub-clause (a), the exemption is being extended to Hindu undivided families also. The *Explanation* below sub-section (1), which defines "long-term capital asset" for purposes of this section, is being omitted, as the definition is being shifted to section 2.

Existing sub-section (2) relating to computation of capital gains in the case of enhanced compensation received on compulsory acquisition is being substituted. The enhanced compensation is now proposed to be taxed as the income of the year in which such compensation is received. This has been incorporated in section 45.

The new sub-section (2) provides that where the amount of capital gain is not appropriated or utilised by the assessee for purchase or construction of the new residential house before the date for furnishing the return of income, it shall be deposited by him on or before the due date of furnishing the return of income, in an account with a bank or institution specified in, and utilised in accordance with, any scheme framed by the Central Government in this regard. The amount already utilised for purchase or construction, of the new house together with the amount so deposited shall be deemed to be the amount utilised for the purchase of a new house.

The proviso to sub-section (2) provides that if the amount deposited is not utilised fully for purchase or construction of new house within the period stipulated in sub-section (1), then the amount not so utilised shall be treated as the capital gain of the previous year in which the period of three years from the date of transfer of original asset expires. It further provides that the assessee shall be entitled to withdraw such amount in

accordance with the aforesaid scheme. *Explanation* to the proviso provides that where any amount becomes chargeable to tax by virtue of the proviso, the initial deduction of ten thousand rupees shall not be allowed, nor shall the benefit of exemption under section 53 be admissible.

These amendments will take effect from 1st April, 1988 and will, accordingly, apply in relation to the assessment year 1988-89 and subsequent years.

Clause 20 seeks to amend section 54B of the Income-tax Act, relating to exemption of capital gains arising from transfer of land used for agricultural purposes.

Under the existing provisions, if an assessee transfers land used for agricultural purposes giving rise to capital gains and purchases any other land used for agricultural purposes, within two years after the date of such transfer, the capital gain is exempt to the extent such gain has been utilised for the aforesaid purchase.

The proposed amendments, apart from amending sub-section (1) to make its provisions subject to the provisions of sub-section (2), substitutes the existing sub-section (2) dealing with enhanced compensation and provides for the deposit of the capital gain in a scheme to be framed by the Central Government, on the same lines as detailed in the notes on sub-section (2) of section 54.

These amendments will take effect from 1st April, 1988 and will, accordingly, apply in relation to the assessment year 1988-89 and subsequent years.

Clause 21 seeks to amend section 54D of the Income-tax Act, relating to capital gains on compulsory acquisition of land and building forming part of an industrial undertaking.

Under the existing provisions, if the transfer is by way of compulsory acquisition of any land or building, forming part of an industrial undertaking belonging to the assessee and such land or building was used for the purpose of the industrial undertaking for at least two years preceding the date of transfer and the assessee has purchased any other land or building within a period of three years after that date or constructed a building within that period for the purposes of shifting or reestablishing the said undertaking or setting up another industrial undertaking, the capital gain is exempt to the extent such gain has been utilised for the aforesaid purposes.

The proposed amendments, apart from amending sub-section (1) to make its provisions subject to the provisions of sub-section (2), substitutes the existing sub-section (2) dealing with enhanced compensation, and provides for the deposit of the capital gain in a scheme to be framed by the Central Government, on the same lines as detailed in the notes on sub-section (2) of section 54.

These amendments will take effect from 1st April, 1988 and will, accordingly, apply in relation to the assessment year 1988-89 and subsequent years.

Clause 22 seeks to amend section 54E of the Income-tax Act relating to exemption from capital gain on transfer of capital assets in certain cases.

Under the existing provisions, capital gains arising on transfer of any long-term capital asset are exempt if the full value of the consideration is invested or deposited in any of the specified assets within a period of six months from the date of such transfer. In case only a part of consideration is so invested or deposited, a proportionate part of capital gain will be exempt from tax. Where any long-term capital asset is compulsorily acquired and the compensation awarded is subsequently enhanced, the additional compensation is exempted from tax if it is invested by the assessee in specified assets within six months from the date of receipt of additional compensation.

Sub-clauses (a), (b) and (d) make amendments of consequential nature in sub-sections (1), (2) and (6).

Sub-clause (c) omits sub-sections (3), (4) and (5) dealing with re-investment of enhanced compensation. Consequently, the benefit available on re-investment will not be available in respect of additional compensation received.

These amendments will take effect from 1st April, 1988 and will, accordingly, apply in relation to the assessment year 1988-89 and subsequent years.

Clause 23 seeks to amend section 54F of the Income-tax Act relating to capital gains on transfer of a long-term capital asset other than a house property.

Under the existing provisions, if an assessee being an individual, transfers any long-term capital asset other than a residential house, giving rise to capital gains and purchases a residential house within one year before or after the date of such transfer or constructs a residential house, within three years after that date, the entire capital gain is exempt, if the cost of the new house is not less than the net consideration received on transfer. If the cost of the new house is less than the net consideration received, the exemptions from long-term capital is granted proportionately.

Sub-clause (a) (i) seeks to amend sub-section (1) to extend the benefit of exemption to a Hindu undivided family also. Further, sub-clauses (a) (ii) and (b) seek to amend sub-sections (1) and (2) to increase the period of one year after the date of transfer for purchase of another residential house to two years.

Sub-clause (c) inserts a new sub-section (4) to deal with deposit of the net consideration under a scheme to be framed by the Central Government, on the same lines as detailed in the notes on sub-section (2) of section 54.

These amendments will take effect from 1st April, 1988 and will, accordingly, apply in relation to the assessment year 1988-89 and subsequent years.

Clause 24 seeks to insert two new sections 54G and 54H in the Income-tax Act.

The new section 54G provides for exemption of capital gains on transfer of assets in cases of industrial undertaking shifting from urban area. Sub-section (1) provides that if an assessee transfers a long-term capital asset in the nature of machinery, plant, building or land used for the purposes of the business of the industrial undertaking situated in an urban area in connection with the shifting of such undertaking to a non-urban area, and within a period of one year before or three years after the date of transfer, purchases new machinery or plant and acquires land or building or constructs building for the purposes of his business in the area to which the undertaking is shifted or incurs expenses on shifting the original asset and transferring the establishment of the undertaking to such area and incurs expenses on such other purposes as may be specified in a scheme framed by the Central Government, the capital gain shall be exempt to the extent such gain has been utilised for the aforesaid purposes.

*Explanation* to sub-section (1) defines "urban area" on the lines of the definition in section 280Y.

Sub-section (2) contains provisions dealing with deposits of the capital gain in a scheme to be framed by the Central Government on the same lines as detailed in the notes on sub-section (2) of section 54.

The new section 54H provides for exemption of capital gains arising from transfer of shares in a company, to any public sector company as may be specified by the Central Government by a notification in the Official Gazette.

These amendments will take effect from 1st April, 1988 and will, accordingly, apply in relation to the assessment year 1988-89 and subsequent years.

Clause 25 seeks to amend section 55, providing for meaning of the expressions "adjusted", "cost of any improvement" and "cost of acquisition".

Sub-clause (a) seeks to amend clause (b) of sub-section (1) of this section, which gives the meaning of the expression "cost of any improvement", to provide that in relation to a capital asset being goodwill of a business, the "cost of any improvement" shall be taken to be *nil*.

Sub-clause (b) seeks to amend sub-section (2) which gives the meaning of the expression "cost of acquisition" to provide that in relation to a capital asset being goodwill of a business, the "cost of acquisition" shall be the purchase price in case the assessee purchased such goodwill and in any other case it shall be *nil*.

These amendments will take effect from 1st April, 1988 and will, accordingly, apply in relation to the assessment year 1988-89 and subsequent years.

Clause 26 seeks to amend section 56 of the Income-tax Act relating to income from other sources.

The proposed amendment seeks to provide that income of the nature referred to in sub-clause (x) of clause (24) of section 2 (relating to certain contributions received by the assessee as an employee from his employees)

will be chargeable to income-tax under the head "Income from other sources", if such income is not chargeable to income-tax under the head "Profits and gains of business or profession".

This amendment will take effect from 1st April, 1988 and will, accordingly, apply in relation to the assessment year 1988-89 and subsequent years.

Clause 27 seeks to amend section 57 of the Income-tax Act relating to certain deductions.

The proposed amendment seeks to provide that in the case of income of the nature referred to in sub-clause (x) of clause (24) of section 2, which is chargeable to income-tax under the head "Income from other sources", deductions shall be allowable in accordance with the provisions of clause (va) of sub-section (1) of section 36.

This amendment will take effect from 1st April, 1988 and will accordingly, apply in relation to the assessment year 1988-89 and subsequent years.

Clauses 28 to 30 seek to amend the following sections of the Income-tax Act,—

(i) section 70 relating to set off of loss from one source against income from another source under the same head of income;

(ii) section 71 relating to set off of loss from one head against income from another head;

(iii) section 72 relating to carry forward and set off of business losses.

The said amendments purport to treat losses arising on transfer of long-term capital assets, after they are scaled down by the same percentage of deduction as the long-term capital gains, as any other losses, so that they can be set off against income under any other head in the same year and if not fully set off may be carried forward.

These amendments will take effect from 1st April, 1988 and will, accordingly, apply in relation to the assessment year 1988-89 and subsequent years.

Clause 31 seeks to substitute a new section for the existing section 74 of the Income-tax Act dealing with losses under the head "Capital gains".

Under the existing section 74, there are separate provisions for carry forward of unabsorbed losses relating to short-term capital assets, which can be carried forward for eight subsequent years and set off only against capital gains relating to short-term capital assets, and unabsorbed losses relating to long-term capital assets, which can be carried forward for four subsequent succeeding years and set off only against capital gains relating to long-term capital assets.

Under the proposed provisions of sub-sections (1) and (2), this distinction between the carry forward of short-term capital losses and long-term capital losses is sought to be removed and all capital losses (including losses arising on transfer of long-term capital assets, after they are scaled down by the same percentage of deduction, as the long-term

capital gains) are to be carried forward for eight succeeding years and set off only against capital gains, if any, in those years.

New sub-section (3) lays down the manner in which the capital losses relating to the period prior to the date of coming into effect of the new section will be treated for carry forward and set off in succeeding years.

This amendment will take effect from 1st April, 1988 and will, accordingly, apply in relation to the assessment year 1988-89 and subsequent years.

Clause 32 seeks to amend section 80C of the Income-tax Act relating to deductions in respect of life insurance premia, contributions to provident fund, etc.

Under the proposed amendment, any payment made by the assessee towards the cost of purchase or construction of a residential house property construction of which is completed after 31st March, 1987 will qualify for deduction under sub-section(1) of section 80C. The deduction will be allowable in respect of the payments made up to rupees ten thousand during the previous year and will be subject to the monetary limits mentioned in sub-section (4) of section 80C. The deduction will be allowable in the case of individuals, Hindu undivided families and certain categories of associations of persons or bodies of individuals.

The payments in respect of which the deduction will be allowable under the proposed provisions will be any payment by way of instalment or part payment of the amount due under any self-financing or other schemes of any development authorities, housing board or other similar authority; or any instalment or part payment of the amount due to any company or co-operative society. The deduction will also be allowable in respect of repayment of loans borrowed by the assessee from the Government or any bank or the Life Insurance Corporation of India and certain categories of institutions engaged in the business of providing long-term finance for construction or purchase of houses in India. Any repayment of a loan borrowed from the employer will also be covered, if the employer happens to be a public company. Stamp duty, registration fee and other expenses for the purposes of transfer shall also be covered.

Payment towards cost of a house property will not, however, include admission fee or cost of share or initial deposit or the cost of land (except where the consideration for the purchase of the house property is a composite amount and the cost of the land cannot be separately ascertained) or the cost of any addition, alteration, etc. Payment towards any expenditure in respect of which a deduction is allowable under the provisions of section 24 will also not be included in payments towards the cost of purchase or construction of a house property.

In a case where the house property in respect of which a deduction has been allowed under the aforesaid provisions, is transferred by the assessee before the expiry of five years from the end of the financial year in which the possession of such property is obtained by him, then no deduction will be allowable under the aforesaid provisions in respect of the previous year in which the transfer is made and the aggregate amount of deductions allowed under the aforesaid provisions in the earlier assessment years shall be chargeable to tax under the head "Income from other sources" of the previous year in which such transfer takes place.

These amendments will take effect from 1st April, 1988, and will, accordingly, apply in relation to the assessment year 1988-89 and subsequent years.

Clause 33 seeks to amend sub-section (3) and (5) of section 80CC of the Income-tax Act relating to deduction in respect of investment in certain new shares.

Under the existing provisions, a deduction is allowable, within limits, in respect of acquisition of certain shares offered for subscription to the public before 1st April, 1987.

The proposed amendment seeks to extend the concession by three years by providing that the deduction will be allowable, subject to the satisfaction of other conditions, in respect of the shares offered for subscription before 1st April, 1990. It is also proposed to reduce the period of holding the shares from five years to three years.

These amendments will take effect from 1st April, 1987.

Clause 34 seeks to insert a new section 80CCA in the Income-tax Act relating to deduction in respect of deposits in accordance with such scheme as may be specified (hereafter referred to as the National Savings Scheme).

Under the proposed provisions, deduction shall be allowed in the case of an assessee being an individual, a Hindu undivided family and certain categories of associations of persons or bodies of individuals. A deduction shall be allowable in relation to the deposits made in the National Savings Scheme. The deduction shall be restricted to fifty per cent. of so much of the amount deposited as does not exceed twenty thousand rupees.

Sub-section (2) seeks to provide that in case any withdrawals (together with interest accrued thereon) are made from the National Savings Scheme, an amount equal to fifty per cent. of the amount in respect of which deduction has been allowed shall be deemed to be the income of the assessee for the previous year in which such withdrawal is made. Interest accruing on the amount so deposited will be taxable only in the year of withdrawal in accordance with this sub-section (2).

This amendment will take effect from 1st April, 1988 and will, accordingly, apply in relation to the assessment year 1988-89 and subsequent years.

Clause 35 seeks to amend sub-section (5) of section 80G of the Income-tax Act relating to deduction in respect of donations made to certain institutions or funds established in India.

Under the existing provisions, donations made to institutions or funds established for charitable purposes in India qualify for deduction within limits.

The proposed amendment seeks to provide that donations made to any Regimental Fund or Non-Public Fund established by the armed forces of the Union for the welfare of the past and present members of such forces or their dependents shall also qualify for deduction subject to the limits and conditions laid down in section 80G.

This amendment will take effect from 1st April, 1988 and will, accordingly, apply in relation to the assessment year 1988-89 and subsequent years.

Clause 36 seeks to amend section 80-O of the Income-tax Act relating to deduction in respect of royalties, etc., from certain foreign enterprises.

Under the existing provisions, where the income of an assessee includes any sum received as royalty, commission, fees or any similar payment from the Government of a foreign State or a foreign enterprise, a deduction of an amount equal to fifty per cent. of the income so received or receivable is allowed subject to the condition that such amount is received or receivable in convertible foreign exchange in India, or if received or receivable outside India is brought into India in accordance with the law in force in this regard. *Explanation (ii)*, however, provides that if any amount of income is used outside India, in the manner approved by the Reserve Bank of India, such amount will be deemed to have been brought into India.

The proposed amendment seeks to provide that the deduction under the section will be allowed only if the amount has been brought into India within a period of six months from the end of the relevant previous year or within such an extended period as may be allowed by the Commissioner after taking into account the difficulties of the assessee in getting the amount remitted to India within the stipulated period of six months.

The proposed amendment also seeks to make a clarificatory amendment to provide that "foreign enterprise" will mean a person who is a non-resident.

These amendments will take effect from 1st April, 1988 and will, accordingly, apply in relation to the assessment year 1988-89 and subsequent years.

Clause 37 seeks to amend section 80RRA of the Income-tax Act relating to deduction in respect of remuneration received for services rendered outside India.

Under the existing provisions, a deduction of an amount equal to fifty per cent of any remuneration received by an individual who is a citizen of India is allowed, if such remuneration is received by him in foreign exchange from any employer for any service rendered by him outside India.

The proposed amendment seeks to provide that a deduction of fifty per cent of the remuneration received by the assessee or seventy-five per cent. of such remuneration as is brought into India by or on behalf of the assessee in accordance with the Foreign Exchange Regulation Act, 1973, whichever is higher, will be allowable.

This amendment will take effect from 1st April, 1988 and will, accordingly, apply in relation to the assessment year 1988-89 and subsequent years.

Clause 38 seeks to omit section 80T of the Income-tax Act, relating to deductions in respect of long-term capital gains in the case of assessees

other than companies. These deductions are being incorporated in section 48.

This amendment will take effect from 1st April, 1988 and will, accordingly, apply in relation to the assessment year 1988-89 and subsequent years.

Clause 39 seeks to amend section 80U of the Income-tax Act relating to deductions in cases of totally blind or physically handicapped persons by increasing the present deduction of Rs. 10,000 to Rs. 15,000.

This amendment will take effect from 1st April, 1988 and will, accordingly, apply in relation to the assessment year 1988-89 and subsequent years.

Clause 40 seeks to omit section 80VVA of the Income-tax Act relating to restriction on certain deductions in the case of companies with effect from 1st April, 1988.

Clause 41 seeks to omit Chapter XI of the Income-tax Act (containing sections 104 to 109) relating to additional income-tax on undistributed profits.

Under the existing provisions of sections 104 to 109, additional income-tax is leviable on certain closely held companies, if they fail to distribute a specified percentage of their distributable profits as dividends. These sections are being omitted and appropriate amendments are being made in the definition of dividend in section 2(22)(e) to extend its application to payments made to any shareholder or to any concern in which a shareholder has substantial interest.

This amendment will take effect from 1st April, 1988 and will, accordingly, apply in relation to the assessment year 1988-89 and subsequent years.

Clause 42 seeks to omit section 115 of the Income-tax Act relating to tax on capital gains of companies, as the provisions of this section have been incorporated in a modified form in section 48.

This amendment will take effect from 1st April, 1988 and will, accordingly, apply in relation to the assessment year 1988-89 and subsequent years.

Clause 43 seeks to insert a new Chapter XIIIB containing special provisions relating to certain companies.

Under the proposed amendments, in the case of any company, whose total income as computed under the other provisions of the Income-tax Act in respect of any previous year is less than thirty per cent of its book profit, the total income of such assessee chargeable to tax shall be deemed to be an amount equal to thirty per cent of such book profit.

For the purposes of the aforesaid provisions, "book profit" means the net profit as shown in the profit and loss account for the relevant previous year prepared in accordance with the provisions of Parts II and III of the Sixth Schedule to the Companies Act, 1956, subject to certain adjustments.

It has also been provided that the aforesaid provision shall not affect the determination of the amounts to be carried forward to the subsequent year or years under the provisions of sub-section (2) of section 32, or sub-section (3) of section 32A or clause (ii) of sub-section (1) of section 72 or section 73 or section 74 or sub-section (3) of section 74A or sub-section (3) of section 80J.

This amendment will take effect from 1st April, 1988 and will, accordingly, apply in relation to the assessment year 1988-89 and subsequent years.

Clause 44 seeks to omit sub-section (12) of section 155 of the Income-tax Act relating to amendment of an assessment in which deduction under section 80-O has not been allowed on certain grounds.

This amendment is consequential to the amendment proposed to section 80-O and will take effect from 1st April, 1988 and will, accordingly, apply in relation to the assessment year 1988-89 and subsequent years.

Clause 45 seeks to insert new sub-sections (2), (2A) and (2B) in section 192 of the Income-tax Act, relating to deduction of tax at source from salaries.

Sub-section (2) provides for deduction of tax at source by an employer (as the assessee may choose) from the aggregate salary of an employee who is or has been in receipt of salary from more than one employer in the same year.

Sub-section (2A) provides that in a case where a Government servant or an employee of a public sector undertaking receives arrears of salary, the deduction of tax at source be made after allowing relief under sub-section (1) of section 89 under a procedure to be prescribed in this regard.

Sub-section (2B) enables an assessee having income under the head "Salaries" in addition to income under any other head to furnish in the prescribed manner the details of total income to his employer who shall deduct out of salary payment the tax due on total income subject to the conditions prescribed in that sub-section.

Sub-clause (b) of this clause makes a consequential amendment in sub-section (3) to incorporate a reference to new sub-sections (2), (2A) and (2B).

These amendments will take effect from 1st June, 1987.

Clause 46 seeks to amend section 194 of the Income-tax Act relating to dividends.

Under the existing provisions, no tax is required to be deducted at source in respect of any payment of dividend, if such dividend is paid by an account payee cheque, and the amount of such dividend or the aggregate amounts of such dividend paid or payable to the shareholder during the financial year does not exceed one thousand rupees. The proposed amendment seeks to raise the aforesaid monetary limit to two thousand five hundred rupees.

This amendment will take effect from 1st June, 1987.

Clause 47 seeks to amend section 194A of the Income-tax Act, relating to deduction of tax at source from interest other than interest on securities.

Sub-clause (a) seeks to amend sub-section (1) to insert an *Explanation* deeming credits to "Interest payable account", "Suspense account" or any other account as credits to the account of payee for the purpose of deduction of tax at source.

Sub-clause (b) seeks to amend clause (i) of sub-section (3). Under the existing provisions, no tax need be deducted at source if the aggregate amount of interest does not exceed one thousand rupees. This limit is sought to be raised to two thousand five hundred rupees.

These amendments will take effect from 1st June, 1987.

Clause 48 seeks to amend section 194D of the Income-tax Act, relating to deduction of tax at source from insurance commission, to provide that no tax be deducted at source where the aggregate amount of insurance commission payable in a year does not exceed five thousand rupees.

This amendment will take effect from 1st June, 1987.

Clause 49 seeks to insert a new section 194E in the Income-tax Act.

The new section provides for deduction of tax at source on payments beyond specified amounts of fees for professional services, royalty, fees for technical services, rent, commission, brokerage and for supply of goods to Government, local authority, corporation, etc.

Sub-section (1) enumerates the types of payments which will be subjected to deduction of tax at source at the time these are credited to the payee's account, etc., and the amounts in relation to which no deduction will be necessary.

Sub-section (2) defines certain expressions for the purposes of the section.

This section will not apply when payments are made by individuals and Hindu undivided families.

These amendments will take effect from 1st June, 1987.

Clause 50 seeks to amend section 195 of the Income-tax Act, relating to deduction of tax at source on certain payments to non-residents.

Sub-clause (a) seeks to substitute a new sub-section (1) which provides for exclusion of salary from the purview of the section, as such deductions are taken care of by section 192. Further, this sub-section provides that the person responsible for making the payment to a non-resident shall deduct tax at source either at the time of payment or at the time of crediting the amount to the account of the non-resident, whichever is earlier.

The *Explanation* seeks to secure that for the purposes of sub-section (1), any amount credited to "Interest payable account" or "Suspense

account" or any other account as moneys payable to non-resident shall be deemed to be a credit for the purpose of tax deduction at source.

Sub-clause (b) (i) seeks to amend sub-section (2) to provide that the Income-tax Officer may determine the proportion of sum chargeable to tax in the prescribed manner.

Sub-clause (b) (ii) seeks to insert a proviso to exclude certain types of payments, *viz.*, interest, royalty and fees for technical services from the provisions of sub-section (2).

These amendments will take effect from 1st June, 1987.

Clause 51 seeks to insert a new section 195A in the Income-tax Act to provide for the manner of grossing up of income for computing the tax deductible at source in a case where the tax is to be borne by the payer.

This amendment will take effect from 1st June, 1987.

Clause 52 seeks to amend section 197 of the Income-tax Act relating to grant of certificate for deduction of tax at lower rate.

Sub-clause (a) amends sub-section (1) which is consequential to the insertion of new sub-section (2A) in this section and the insertion of new section 194E.

Sub-clause (b) seeks to insert new sub-section (2A) which enables the Board to make rules for prescribing a procedure in regard to issue of certificate by the assessing officers as prescribed in sub-section (1) authorising not to deduct tax at source or deduct the same at a lower rate.

These amendments will take effect from 1st June, 1987.

Clause 53 seeks to amend sections 198, 200, 203, 204 and 205 of the Income-tax Act to incorporate a reference to new section 194E.

This amendment will take effect from 1st June, 1987.

Clauses 54 and 55 seek to amend sections 199 and 202 of the Income-tax Act, consequential to the insertion of new section 194E in the Act.

These amendments will take effect from 1st June, 1987.

Clause 56 seeks to amend section 203 of the Income-tax Act relating to certificate for tax deducted.

Under the existing provisions, any person responsible for deduction of tax at source in accordance with the provisions of the Act is required, at the time of credit or payment of the amount or at the time of issue of warrant of the sum to issue a certificate that the tax has been deducted, and specifying the amount deducted and any other particulars as may be prescribed in the rules.

The amended provision seeks to provide that the certificate shall be issued within such time limit as may be prescribed in the rules.

This amendment will take effect from 1st June, 1987.

Clause 57 seeks to insert a new section 203A in the Income-tax Act.

The proposed new section seeks to provide that every person deducting tax at source in accordance with the provisions of Chapter XVII-B, in respect of any payment made by him and who has not been allotted tax-deduction account number, shall apply to the income-tax authority for the allotment of a tax-deduction account number. The tax-deduction account number so allotted shall be quoted in all challans for payment of any sum under section 200, in all certificates issued under section 203, in all the prescribed returns filed in accordance with the provisions of sections 206, 206A and 206B and in all other documents pertaining to such transactions which the Board may prescribe in the rules.

This amendment will take effect from 1st June, 1987.

Clause 58 seeks to substitute a new section for section 206 of the Income-tax Act relating to furnishing of prescribed returns by a person paying salary.

The new section enables the Board to prescribe the form, time-limit and procedure for submission of such returns.

This amendment will take effect from 1st June, 1987.

Clause 59 seeks to substitute a new section for section 245A of the Income-tax Act, relating to definitions for the purposes of Chapter XIXA of the Act. The new section amends the existing definition of "case" to exclude time-barred appeals or revisions. It also defines "income-tax authority" and other expressions.

These amendments will take effect from 1st June, 1987.

Clause 60 seeks to amend section 245B of the Income-tax Act relating to the Income-tax Settlement Commission by omitting certain words in view of the definition of Settlement Commission included in section 245A.

This amendment will take effect from 1st June, 1987.

Clause 61 seeks to insert new sections 245BA to 245BD, as a consequence of amendment of section 245B by the Taxation Laws (Amendment and Miscellaneous Provisions) Act, 1986, providing for additional Benches of the Settlement Commission.

Sub-section (1) of section 245BA confers jurisdiction, powers and authority of the Settlement Commission to its Benches.

Sub-section (2) provides that a Bench of the Settlement Commission shall be presided over by the Chairman or the Vice-Chairman and shall include two other Members.

Sub-section (3) provides that the Bench presided over by the Chairman shall be the principal Bench and other Benches shall be known as additional Benches.

Sub-section (5) secures functioning of a Bench in certain situations where the Presiding Officer or one of the other Members is unable to discharge his functions.

Sub-section (6) provides for notification by the Central Government of the location of the additional Benches of the Settlement Commission.

New section 245BB provides for appointment of acting Chairman in certain situations.

New section 245BC empowers the Chairman to transfer cases from one Bench to another.

New section 245BD provides that if the Members of a Bench differ on any point, the opinion of the majority shall prevail. Where the Members are equally divided they shall state the point of difference and make a reference to the Chairman who shall hear the point himself or refer the case for hearing to one or more Members of the Settlement Commission and the point of difference shall be decided according to the opinion of the majority of the Members who have heard the case, including those who first heard it.

These amendments will take effect from 1st June, 1987.

Clause 62 seeks to amend section 245C of the Income-tax Act relating to application for settlement of cases.

Sub-clause (i) seeks to substitute the proviso to sub-section (1) to provide that the assessee shall furnish the return of income which he is or was required to furnish under any of the provisions of the Act before an application can be made under section 245C.

Sub-clause (ii) seeks to substitute new sub-sections (IB) and (IC). Sub-sections (IB) and (IC) provide for the manner of computation of additional amount of income-tax payable in relation to the income disclosed in the application for settlement.

These amendments will take effect from 1st June, 1987.

Clause 63 seeks to amend section 245D of the Income-tax Act relating to the procedure on receipt of application by the Settlement Commission.

Sub-clause (a) inserts new sub-section (5) which is consequential to the amendment of section 245B of the Act by the Taxation Laws (Amendment and Miscellaneous Provisions) Act, 1986, which provides for constitution of more than one Bench of the Settlement Commission.

Sub-clause (b) seeks to amend sub-section (6) to provide for the payment of interest by the assessee in addition to tax and penalty.

Sub-clause (c) seeks to amend sub-section (8) to provide that the time-limit laid down in section 186 for cancellation of registration will not apply.

These amendments will take effect from 1st June, 1987.

Clause 64 seeks to amend section 245E of the Income-tax Act relating to power of the Settlement Commission to reopen completed proceedings.

Under the existing proviso to section 245E, the Settlement Commission cannot re-open any proceeding after the expiry of a period of eight years from the end of the assessment year to which such proceeding relates.

It is proposed to provide that no proceeding relating to any assessment year shall be re-opened by the Settlement Commission if the period bet-

ween the end of the assessment year to which such a proceeding relates and the date of application for settlement under section 245C exceeds nine years.

This amendment will take effect from 1st June, 1987.

Clause 65 seeks to amend section 245F of the Income-tax Act relating to powers and procedure of the Settlement Commission. It is proposed to omit the words "or by way of advance tax" in sub-section (3), Sub-sections (5) and (6) are being omitted as consequential to insertion of new section 245BA.

These amendments will take effect from 1st June, 1987.

Clause 66 seeks to amend section 245H relating to power of the Settlement Commission to grant immunity from prosecution and penalty.

Sub-clause (a) inserts a proviso to sub-section (1) to preclude the Settlement Commission from granting immunity from prosecution in cases where prosecution has been launched prior to the date of receipt of application for settlement under section 245C.

Sub-clause (b) inserts new sub-section (1A) which provides that an immunity granted by the Settlement Commission to any person shall stand withdrawn on failure of such person to pay taxes, etc., within the time allowed as per the order of settlement or on failure of such a person to comply with any other condition subject to which the immunity is granted.

These amendments will take effect from 1st June, 1987.

Clause 67 seeks to insert a new section 245HA in the Income-tax Act relating to powers of the Settlement Commission to send a case back to the Income-tax Officer in case the assessee does not co-operate with the Commission. Under the existing provisions, the Settlement Commission does not possess such powers.

Sub-section (1) provides that where the Settlement Commission is satisfied that the assessee has not co-operated in the proceedings before it, it will have the power to send the case back to the Income-tax Officer who will then make the assessment in the ordinary manner as if no application had ever been made before the Settlement Commission.

Sub-section (2) provides that in a case referred to in sub-section (1), the Income-tax Officer can, for the purposes of making the assessment, use any material or other information produced before the Settlement Commission.

Sub-section (3) provides that where a case has been sent back to the Income-tax Officer, the period commencing on and from the date of application to the Settlement Commission and ending with the date of receipt by the Income-tax Officer of the order of the Settlement Commission shall be excluded in computing the time limits under the Act.

These amendments will take effect from 1st June, 1987.

Clause 68 seeks to amend section 245K of the Income-tax Act relating to bar on subsequent application for settlement in certain cases, by in-

serting clause (iii) to provide that the assessee whose case is sent back by the Settlement Commission to the Income-tax Officer on account of non-co-operation shall not be entitled to make any further application to that Commission.

These amendments will take effect from 1st June, 1987.

Clause 69 seeks to omit section 245M of the Income-tax Act relating to eligibility of certain persons to make application to the Settlement Commission despite having filed appeal to the Appellate Tribunal, as the existing provisions are no longer necessary.

This amendment will take effect from 1st June, 1987.

Clause 70 seeks to insert a new section 272BB in the Income-tax Act, which deals with the penalty for failure to comply with the provisions of section 203A relating to the allotment of tax-deduction account number to the person responsible for deduction of tax at source. The new section provides for a penalty of a sum which may extend up to five thousand rupees.

This amendment will take effect from 1st June, 1987.

Clause 71 seeks to amend section 273B of the Income-tax Act to include a reference to the new section 272BB so as to shift the burden of proving a reasonable cause for failure to comply with the provisions of section 203A on the person concerned.

This amendment will take effect from 1st June, 1987.

Clause 72 seeks to omit section 280ZA of the Income-tax Act, as the provisions relating to transfer of an industrial undertaking from urban areas have been incorporated in the new section 54G.

This amendment will take effect from 1st April, 1988 and will, accordingly, apply in relation to the assessment year 1988-89 and subsequent years.

Clause 73 seeks to omit sections 285 and 286 of the Income-tax Act, relating to information to be given in the prescribed manner by (i) persons responsible for paying interest, and (ii) companies regarding shareholders to whom dividends have been paid, respectively. This is consequential to the substitution of new section 206.

This amendment will take effect from 1st June, 1987.

Clause 74 seeks to amend section 293 of the Income-tax Act.

Under the existing provisions, it has been provided that no suit shall lie in any civil court to set aside or modify any assessment order made under the Act. The proposed amendment seeks to provide that no suit shall lie in any civil court to set aside or modify any order made under the Act.

This amendment will take effect from 1st March, 1987.

Clause 75 seeks to amend items 5 and 22 of the Eleventh Schedule to the Income-tax Act.

Under item 5 of the Eleventh Schedule, aerated waters in the manufacture of which blended flavouring concentrates in any form are used are one of the non-priority articles or things to which section 32AB and other sections of the Act would not be applicable in certain cases. It is proposed to make a clarificatory amendment in the item to indicate that blended flavouring concentrates would include, and would have included, synthetic essences in any form.

The *Explanation* below item 22 of the Schedule defines "office machines and apparatus" to include all machines and apparatus used in offices for data processing. It is proposed to make a clarificatory amendment to exclude computers from the expression "data processing" so that the benefits of the provisions of section 32AB and other sections may be made available in respect of computers. It is also proposed to exclude office machines and apparatus used for transmission and reception of messages from the non-priority list of articles or things as contained in this item.

These amendments will take effect from 1st April, 1988 and will, accordingly, apply in relation to the assessment year 1988-89 and subsequent years.

Clause 76 seeks to make certain amendments of a consequential nature in different provisions of the Income-tax Act.

Clause 77 seeks to amend section 2 of the Wealth-tax Act relating to definitions.

It is proposed to provide that a building or part thereof referred to in clauses (iii), (iiia) or (iiib) of section 27 of the Income-tax Act shall be includable in the net wealth of the person who is deemed to be the owner under these clauses of that building or part thereof. This has been introduced to achieve uniformity and consistency in the provisions of the Income-tax Act and other direct tax laws.

This amendment will take effect from 1st April, 1988 and will, accordingly, apply in relation to the assessment year 1988-89 and subsequent years.

Clause 78 seeks to insert a new clause (xxvb) in section 5 of the Wealth-tax Act relating to exemptions.

Under the proposed provision, any deposit made under the National Savings Scheme referred to in section 80CCA of the Income-tax Act will not be includable in the net wealth of the assessee.

This amendment will take effect from 1st April, 1988 and will, accordingly, apply in relation to the assessment year 1988-89 and subsequent years.

Clauses 79 to 89 seek to amend the provisions relating to settlement of cases in Chapter VA of the Wealth-tax Act.

These provisions under the Wealth-tax Act have been broadly brought at par with those of corresponding provisions of the Income-tax Act.

These amendments will take effect from 1st June, 1987.

Clause 90 seeks to amend sub-section (2A) of section 31 of the Wealth-tax Act.

Under the existing provisions, the Board is empowered to waive any interest payable on account of non-payment or delay in payment of tax, on the recommendation made by the Commissioner, if the Board is satisfied, that such payment would cause genuine hardship. The proposed amendment seeks to empower the Commissioners to exercise the powers under these provisions. This amendment will take effect from 1st April, 1987.

Further, under the existing provisions, interest can be waived, only if the amount is payable and payment of such amount is likely to cause genuine hardship. The proposed amendment seeks to provide that the interest levied can be waived if the amount of interest is paid or payable and such payment has caused or is likely to cause genuine hardship.

This amendment will take effect from 1st October, 1984.

Clause 91 seeks to amend section 43 of the Wealth-tax Act.

Under the existing provisions, it has been provided that no suit shall lie in any civil court to set aside or modify any assessment made under the Act. The proposed amendment seeks to provide that no suit shall lie in any civil court to set aside or modify any order made under the Act.

This amendment will take effect from 1st March, 1987.

Clause 92 seeks to amend section 2 of the Gift-tax Act relating to definitions.

It is proposed to insert a new *Explanation* to clause (xii) to provide that a transfer of any building or part thereof referred to in clauses (iii), (iiia) or (iiib) of section 27 of the Income-tax Act by the person who is deemed under the said clauses to be the owner thereof made voluntarily and without consideration in money or money's worth, shall be deemed to be a gift made by such person.

This amendment will take effect from 1st April, 1988 and will, accordingly, apply in relation to the assessment year 1988-89 and subsequent years.

Clause 93 seeks to amend section 42 of the Gift-tax Act.

Under the existing provisions, it has been provided that no suit shall lie in any civil court to set aside or modify any assessment made under the Act. The proposed amendment seeks to provide that no suit shall lie in any civil court to set aside or modify any order made under the Act.

This amendment will take effect from 1st March, 1987.

Clause 94 read with the Second Schedule seeks to amend the Customs Tariff Act, 1975, to—

(a) raise the rate of basic customs duty on crude petroleum and oils obtained from bituminous minerals;

(b) restructure the basic customs duty rates in respect of the following goods on specific-cum-ad valorem basis—

(1) inorganic chemicals;

(2) organic chemicals;

- (3) tanning or dyeing extracts, dyes, pigments and other similar chemicals;
  - (4) essential oils and resinoids; perfumery and other similar preparations;
  - (5) soap, organic surface-active agents, washing and lubricating preparations, artificial waxes and other similar chemicals;
  - (6) albuminoidal substances; glues; enzymes and other similar chemicals;
  - (7) miscellaneous chemical products;
  - (8) plastics and articles thereof;
  - (9) iron and steel;
- (c) raise the rate of basic customs duty on project imports;
- (d) change Chapter Notes in respect of Chapter 98 so as to provide for specific exclusions in respect of goods which would not be covered by the new heading No. 98.06;
- (e) create a new heading No. "98.06" which would cover parts of machinery, appliances, instruments and articles of Chapters 84 to 86, 89 and 90 of the First Schedule.

Clause 95 seeks to levy up to the 31st March, 1988 auxiliary duties of customs on all imported goods at the rate of 50 per cent of their value.

Clause 96 seeks to amend section 37 of the Central Excises and Salt Act, 1944, so as to empower the Central Government to make rules for providing for the giving of credit of sums of money with respect to raw materials used in the manufacture of excisable goods.

Clause 97 read with the Third Schedule seeks to amend the Schedule to the Central Excise Tariff Act, 1985, to—

- (a) raise the basic excise duty on—
  - (1) cheese;
  - (2) spices;
  - (3) miscellaneous preparations of cereals, flour, starch and milk;
  - (4) mineral waters and aerated waters;
  - (5) pan Masala;
  - (6) zinc oxide;
  - (7) organic surface-active agents;
  - (8) prepared glues and adhesives;
  - (9) conveyor belting;
  - (10) travel goods;
  - (11) cork and articles of cork;
  - (12) paper and paper board;

- (13) viscose filament yarn;
- (14) coated, impregnated, laminated and industrial fabrics;
- (15) footwear;
- (16) articles of stone, plaster, cement, asbestos and mica;
- (17) ceramic products;
- (18) glass and glass mirrors;
- (19) copper wire other than electrical grade;
- (20) metal containers;
- (21) electric motors and generators;
- (22) primary cells and batteries;
- (23) electric lamps;

(b) change the tariff description of—

- (1) sub-heading No. 1904.10 relating to prepared foods obtained from cereals;
- (2) sub-heading No. 3907.80 relating to polybutyl terephthalate;
- (3) heading No. 49.01 relating to products of printing industry;
- (c) change the Chapter Notes in respect of Chapter 24 and make consequential changes in the tariff description of sub-heading No. 2404.11 so as to specifically cover cut-tobacco in this sub-heading;
- (d) change the tariff description and restructure the duty rates in respect of—

- (1) hydrogenated vegetable fats and oils;
- (2) pasta products;
- (3) chewing-tobacco; snuff;
- (4) chlorates;
- (5) soap;
- (6) tread rubber and other retreading materials;
- (7) particle boards; fibre boards; and plywoods;
- (8) cotton fabrics and man-made fabrics;
- (9) glazed tiles;
- (10) electric fans.

Clause 98 seeks to levy up to the 31st day of March, 1988, special duties of excise on all excisable goods at the rate of 10 per cent of the duty leviable under the Central Excise Tariff Act.

Clause 99 read with the Fourth Schedule seeks to amend the First Schedule to the Additional Duties of Excise (Goods of Special Importance) Act, 1957, to—

- (1) raise additional excise duty on free sale sugar;
- (2) change the tariff description of sub-heading No. 2404.11 so as to specifically cover cut-tobacco in this sub-heading;
- (3) change the tariff description and restructure the duty rates in respect of chewing tobacco and snuff;
- (4) change the tariff description and restructure the duty rates in respect of cotton fabrics and man-made fabrics.

Chapter V (containing clauses 100 to 107) provides for the levy of foreign exchange conservation (travel) tax on all foreign exchange released for any foreign travel by any person.

Clause 101 defines "foreign currency", "foreign exchange", "foreign travel" and certain other expressions used in the Chapter.

Clause 102 seeks to provide for the levy of a tax on all foreign exchange released for any foreign travel by any person. The tax will be levied at a rate of fifteen per cent on the rupee equivalent of every sum of foreign exchange so released and will be collected by the authorised dealers or money changers authorised to deal in foreign exchange under the Foreign Exchange Regulation Act, 1973.

Clause 103 confers upon the Central Government power to grant exemptions from the payment of the tax by notification having regard to the purposes of the travel and other special circumstances.

Clause 104 provides for penalties and adjudication of penalties.

The other clauses of this Chapter deal with incidental and supplementary matters including the power of the Central Government to make rules relating to the foreign exchange conservation (travel) tax.

Clause 108 seeks to amend the Schedule to the Oil Industry (Development) Act, 1974 which specifies ceilings on levy of excise duty as a cess on crude oil and natural gas.

The amendment proposes to raise the ceiling to one thousand rupees per tonne on crude oil and three hundred rupees per thousand cubic metres on natural gas.

Clause 109 seeks to amend section 5 of the Customs and Excise Revenues Appellate Tribunal Act, 1986, which deals with the qualifications for appointment as President and other Members of the Customs and Excise Revenues Appellate Tribunal.

The proposed amendment seeks to clarify that in computing the period during which a person has been a member of the Indian Customs and Central Excise Service, Group 'A', for the appointment of Technical Member, there shall be included any period during which the person has been a member of the Indian Customs Service Class I, or the Central Excise Service Class I, as the case may be, of the Indian Revenue Service immediately before the constitution of the Indian Customs and Central Excise Service, Group 'A'.

### MEMORANDUM REGARDING DELEGATED LEGISLATION

Sub-clause (d) of clause 7 of the Bill seeks to insert two new sub-sections (5A) and (5B) in section 32AB of the Income-tax Act relating to investment deposit account. Under new sub-section (5A), it is provided that any amount standing to the credit of the assessee in the deposit account shall not be allowed to be withdrawn before the expiry of a period of five years from the date of deposit except for the purposes specified in the scheme to be made under that section. Sub-clause (e) of this clause seeks to amend sub-section (6) of this section so as to provide for a time limit to be specified in the said scheme before which any amount standing to the credit of the assessee in the deposit account should be utilised.

Clauses 19, 20, 21 and 23 seeks to amend sections 54, 54B, 54D and 54F of the Income-tax Act to provide that if the amounts of capital gain arising under those sections are not appropriated by the assessee towards the purchase of the new asset within the period specified therein, they are required to be deposited in an account in any such bank or institution as may be specified in, and utilised in accordance with, any scheme which the Central Government may, by notification in the Official Gazette, frame in this behalf.

Clause 24 of the Bill seeks to introduce a new section 54G in the Income-tax Act which provides for exemption of capital gains on transfer of assets in cases of shifting of an industrial undertaking from urban area. Sub-section (2) of this new section provides that the amount of capital gain which is not appropriated by the assessee towards the cost and expenses incurred in relation to any of the purposes mentioned in sub-section (I) of that section within one year from the date on which the transfer of the original asset took place or which is not utilised by him for all or any of the purposes aforesaid before the date of furnishing the return of income under section 139 of the Act, is required to be deposited by him before furnishing such return in an account in any such bank or institution as may be specified in, and utilised in accordance with, any scheme which the Central Government may, by notification in the Official Gazette, frame in this behalf.

Clause 45 of the Bill seeks to insert a new sub-section (2) in section 192 of the Income-tax Act which provides for tax to be deducted at source under the head "Salaries" in a case where the assessee is employed simultaneously under more than one employer or where he has held successively employment under more than one employer. In such cases, the assessee will be required to furnish to the person responsible for making the payment of the tax deducted at source (being one of the employers) such details of the income under the head "Salaries" due or received by him from the other employer or employers, the tax deducted at source therefrom and such other particulars, in such form and verified in such manner as may be prescribed by rules made under the Act. Under a new sub-section (2B) inserted in this section, where an assessee who receives any income chargeable under the head "Salaries" has in addition any income chargeable under any other head of income for the

same financial year, he is required to send to the person responsible for making the payment regarding the salary income, the particulars of such other income and of any tax deducted therefrom in such form and verified in such manner as may be prescribed by rules made under the Act.

Clause 50(b) of the Bill proposes to amend sub-section (2) of section 195 of the Income-tax Act which enables a person responsible for paying to a non-resident any interest, not being interest on securities or other sums, etc., to deduct income-tax thereon at the rates in force. Under the said sub-section (2), if such person considers that the whole of such sum would not be income chargeable in the case of the recipient, he may make an application to the Income-tax Officer to determine, by general or special order, the appropriate proportion of such sum so charged. The amendment seeks to provide that the said determination should be made in the prescribed manner instead of by general or special order, as provided in the section.

Clause 52(b) of the Bill seeks to insert a new sub-section (2A) in section 197 of the Income-tax Act which provides for the issue of a certificate for deduction at lower rate. The new sub-section (2A) empowers the Central Board of Direct Taxes to make rules specifying the cases in which, and the circumstances, under which, an application may be made for the grant of such certificate and the conditions subject to which such certificate may be granted, and for providing for all other matters connected therewith.

Clause 56 of the Bill seeks to amend section 203 of the Act which provides for the issue of tax-deduction certificate by the person who deducts the tax payable under the Act. The amendment seeks to provide that the certificate shall be issued within such period as may be prescribed by the rules from the time of credit or payment of the same or from the issue of a cheque or warrant for payment of any dividend to a shareholder instead of issue of a certificate at the time of the credit or payment of the sum or at the time of the issue of a cheque or warrant for the payment of any dividend to a shareholder as at present.

Clause 57 of the Bill seeks to insert a new section 203A which provides for the allotment of tax-deduction account number. Sub-section (1) of the new section requires every person deducting tax in accordance with the provisions of the Act to apply for the allotment of a tax-deduction account number within such time as may be prescribed by rules made under the Act. Such rules may also provide the documents relating to certain transactions in which such number shall be quoted.

Clause 58 of the Bill seeks to substitute a new section 206 in the Income-tax Act which requires persons deducting the tax under the Act to furnish the prescribed returns. This section provides that the person who deducts tax shall prepare within the time prescribed under the rules, after the end of each financial year and deliver or cause to be delivered to the income-tax authority prescribed by rules, such returns in such form and verified in such manner and setting forth such particulars as may be prescribed by rules made under the Act.

Clause 61 seeks to insert new section 245BA in the Income-tax Act. Sub-section (5) of this section provides for the functioning of the Benches of the Settlement Commission, in the case of illness, etc., of the

Members constituting a Bench subject to such rules as may be made under the Act. Clause 81 of the Bill seeks to insert on the same lines a new section 22BA in the Wealth-tax Act.

Clause 96 of the Bill seeks to insert a new clause (xvib) in section 37 of the Central Excises Act to empower the Central Government to make rules to provide for the credit of sums of money with respect to raw materials used in the manufacture of excisable goods.

Clause 106 of the Bill empowers the Central Government, by notification in the Official Gazette, to make rules for carrying out the purposes of Chapter V of the Bill relating to levy of Foreign Exchange Conservation (Travel) Tax. Sub-clause (2) of this clause enumerates the matters with respect to which the Central Government may make rules. These matters relate, *inter alia*, to the collection of Foreign Exchange Conservation (Travel) Tax, the authorities by whom adjudication of penalties or other functions under the Chapter shall be discharged, the manner in which such tax or penalties due under the Chapter shall be payable, the procedure for adjudication of penalties, appeals against orders made under the Chapter, the manner in which and the time within which such appeals may be preferred and the fees payable therefor, the refunds and other particulars which may be required to be furnished for the purposes of the Chapter and any other matter which is required to be provided for by rules under the Chapter.

The matters in respect of which schemes or rules may be made in accordance with the aforesaid provisions are matters of procedure and detail, and it is not practicable to provide for them in the Bill itself.

The delegation of legislative powers is, therefore, of a normal character.

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SUBHASH C. KASHYAP,  
Secretary-General.

